

Prairie Oat Growers Association Inc.

FINANCIAL STATEMENTS

Year Ended July 31, 2017

Prairie Oat Growers Association Inc.

Regina, Saskatchewan

July 31, 2017

(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, 2017 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.

Collins Barrow PQ LLP


Collins Barrow PQ LLP

Yorkton, SK
November 8, 2017

Prairie Oat Growers Association Inc.
 Regina, Saskatchewan
 Statement of Financial Position as at July 31, 2017
 (Unaudited)

| | 2017 | 2016 |
|---|-------------------|-------------------|
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | 219,811 | 35,163 |
| Accounts receivable - note 4 | 184,271 | 154,823 |
| Prepaid expenses | <u>8,625</u> | <u>6,300</u> |
| | 412,707 | 196,286 |
| Capital Assets - note 5 | <u>916</u> | <u>1,833</u> |
| | <u>\$ 413,623</u> | <u>\$ 198,119</u> |
| Liabilities and Net Assets | | |
| Current Liabilities | | |
| Accounts payable and accrued liabilities - note 6 | 231,317 | 22,679 |
| Deferred revenue - note 7 | <u>176,381</u> | <u>169,515</u> |
| | <u>407,698</u> | <u>192,194</u> |
| Net Assets, Unrestricted | | |
| 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>\$ 413,623</u> | <u>\$ 198,119</u> |

Approved on behalf of the board:



Prairie Oat Growers Association Inc.

Statement of Operations
For the year ended July 31, 2017
(Unaudited)

| | 2017 | 2016 |
|---|-------------------|-------------------|
| Revenue Before Funding Contributions | | |
| <i>Grant revenues: - note 9</i> | | |
| Growing Canadian Agri-Innovations Program - Tagging in Oats | 38,737 | 38,737 |
| AgriMarketing | | 39,163 |
| AgriMarketing - Mexico Project | 72,079 | 57,244 |
| AgriMarketing - USA Marketing Campaign | 65,612 | |
| ADOPT Program | 5,500 | 36,940 |
| Agriculture Development Fund - Mycotoxins in Sask. Oats | 76,678 | 81,379 |
| Alberta Oat Variety Trial | 12,000 | 7,875 |
| Agriculture Development Fund - Crop Sequencing | 7,500 | 12,500 |
| WGRF - Oats Improve the Gastrointestinal Health of Horses | 33,579 | 76,421 |
| IODF - Industry Forum | | 10,000 |
| <i>Other revenues:</i> | | |
| Conference revenues | 34,532 | 38,137 |
| AAFC Post Doctoral Industry Support | 25,000 | |
| Prairie Oat Breeding Consortium partner contributions - note 9 | 221,776 | 221,716 |
| USA Marketing Campaign Industry Support | 65,612 | |
| Other income | 12,660 | |
| | <u>671,265</u> | <u>620,112</u> |
| Expenses - page 14 | | |
| Research projects | 564,253 | 555,893 |
| Market development projects | 350,604 | 292,151 |
| Communications | 92,362 | 85,303 |
| General operating expenses | 373,228 | 367,691 |
| | <u>1,380,447</u> | <u>1,301,038</u> |
| Deficiency of Revenue Over Expenses Before Funding Contributions | <u>(709,182)</u> | <u>(680,926)</u> |
| Funding Contributions - note 8 | | |
| Manitoba Oat Growers Association | 180,068 | 165,807 |
| SaskOats | 458,758 | 442,254 |
| Alberta Oat Development Commission | 70,356 | 72,865 |
| | <u>709,182</u> | <u>680,926</u> |
| Excess of Revenue Over Expenses for the Year | <u>\$ 0</u> | <u>\$ 0</u> |

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, 2017
(Unaudited)

| | 2017 | 2016 |
|--|-------------------|---------------------|
| Cash Provided By (Used In): | | |
| Operations | | |
| Excess of revenue over expenses for the year | 0 | 0 |
| Add items not requiring cash resources | | |
| Amortization - page 14 | 917 | 1,431 |
| Loss on disposal of capital assets | | 355 |
| Net change in working capital | <u>183,731</u> | <u>(59,620)</u> |
| | 184,648 | (57,834) |
| Investing activities | | |
| Capital asset purchases | <u>0</u> | <u>(2,750)</u> |
| Net Cash Increase (Decrease) for the Year | 184,648 | (60,584) |
| Cash position, beginning of year | <u>35,163</u> | <u>95,747</u> |
| Cash Position, End of Year | <u>\$ 219,811</u> | <u>\$ 35,163</u> |
| Represented By: | | |
| Cash and cash equivalents | <u>\$ 219,811</u> | <u>\$ 35,163</u> |
| Net change in working capital consists of: | | |
| Decrease (increase) - accounts receivable | (29,448) | (67,178) |
| - prepaid expenses | (2,325) | 4,257 |
| Increase (decrease) - accounts payable and accrued liabilities | 208,638 | 1,596 |
| - other current liabilities | <u>6,866</u> | <u>1,705</u> |
| | <u>\$ 183,731</u> | <u>\$ (59,620)</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, 2017
(Unaudited)

1. Nature of Operations

The Prairie Oat Growers Association Inc. (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. The organization is not subject to income tax.

POGA also works to co-ordinate the efforts of the Saskatchewan Oat Development Commission (operating as SaskOats), the Manitoba Oat Growers Association and the Alberta Oat Growers Commission. 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 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) 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 until the value has diminished using the following methods and rates:

| | Method of Amortization | Rate of Amortization |
|-----------------------------------|-------------------------------|-----------------------------|
| Furniture, fixtures and equipment | straight-line | 5 years |
| Computer 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

Funding contributions from SaskOats, the Alberta Oat Growers 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 and other contributions are recognized following the deferral method of accounting. As such, restricted contributions subject to external stipulations, including grant revenues, are recognized as revenue in the same period in which the related expenditures are made, provided all grant qualifications have been met and collection is reasonably assured. Restricted contributions for which the related restrictions remain unfulfilled are accumulated as deferred contributions.

Prairie Oat Growers Association Inc.

Notes to Financial Statements
For the year ended July 31, 2017
(Unaudited)

2. Significant Accounting Policies - continued

(c) Revenue - continued

Unrestricted contributions are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured

Prairie Oat Breeding Consortium partner contributions are recognized proportionately in each month of the related membership year.

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

Investment income comprised of interest from cash and fixed income investments are recognized on an accrual basis. Interest on fixed income investments is recognized over the terms of these investments using the effective interest method. Other investment income is recognized when it is received.

(d) Project expenses

Project expenses are recognized when the expenditures are made or become payable.

(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.

Significant estimates have been made regarding the expected service lives of capital assets.

Prairie Oat Growers Association Inc.

Notes to Financial Statements
For the year ended July 31, 2017
(Unaudited)

3. Risks Arising from Financial Instruments

The organization is not exposed to significant risks through its financial instruments, with the exception of currency risk.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The organization enters into contracts with vendors located in the United States of America from time to time for provision of research or other services. In the current year, \$75,730 of expenses and accounts payable represent amounts originally denoted in US dollars. Commitments contracted in US dollars are described in note 9.

As at July 31, 2017, cash of \$42,530 (2016 - \$31,266) is in American dollars and converted into Canadian dollars.

| | 2017 | 2016 |
|--|-------------------|-------------------|
| 4. Accounts Receivable | | |
| Accounts receivable are comprised of the following items: | | |
| Accounts receivable | 41,724 | 131,704 |
| Accrued grants receivable: | | |
| AgriInnovations | 38,737 | |
| AgriMarketing - Mexico Oats/USA marketing | 76,310 | 23,119 |
| WGRF | 27,500 | |
| | <u>\$ 184,271</u> | <u>\$ 154,823</u> |
| 5. Capital Assets | | |
| Cost | | |
| Furniture, fixtures and equipment | 727 | 727 |
| Computer equipment | 5,178 | 5,178 |
| | <u>5,905</u> | <u>5,905</u> |
| Accumulated amortization | | |
| Furniture, fixtures and equipment | 485 | 242 |
| Computer equipment | 4,504 | 3,830 |
| | <u>4,989</u> | <u>4,072</u> |
| Net book value | <u>\$ 916</u> | <u>\$ 1,833</u> |
| 6. Accounts Payable and Accrued Liabilities | | |
| Accounts payable and accrued liabilities are comprised of the following items: | | |
| Accounts payable | 231,317 | 20,881 |
| Government remittances | | 1,798 |
| | <u>\$ 231,317</u> | <u>\$ 22,679</u> |

Prairie Oat Growers Association Inc.

Notes to Financial Statements
For the year ended July 31, 2017
(Unaudited)

7. Deferred Revenue

Deferred revenue is comprised of the following items:

| | Balance, Beginning of Year | Less Amount Recognized | Plus Amount Received or Receivable | Balance, End of Year |
|---|----------------------------------|------------------------------|--|----------------------------|
| AAFC Post Doctoral Research Assistant | | 25,000 | 33,295 | 8,295 |
| Alberta Oat Variety Testing | 3,125 | 12,000 | 11,000 | 2,125 |
| Crop Sequencing | 7,500 | 7,500 | | |
| Gastrointestinal Health of Horses | 6,080 | 6,080 | | |
| Online Grower Manual | 5,000 | | | 5,000 |
| POBC memberships | 147,810 | 221,776 | 221,896 | 147,930 |
| Sponsorships | | | 3,643 | 3,643 |
| USA Marketing Campaign - Industry Support | | 65,612 | 75,000 | 9,388 |
| | <u>\$ 169,515</u> | <u>\$ 337,968</u> | <u>\$ 344,834</u> | <u>\$ 176,381</u> |

8. Transactions with Related Parties

Included in these financial statements are transactions with the Saskatchewan Oat Development Commission (SaskOats), the Manitoba Oat Growers Association (MOGA) and the Alberta Oat Growers Commission (AOGC), all 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 SaskOats, the MOGA and the 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. The proportionate share attributable to each organization is determined annually. Any expenditures made by the organization which are for the sole benefit of either SaskOats, the MOGA or the AOGC exclusively are recovered from that organization based on the actual cost to the POGA.

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 | 2017 | 2016 |
|--|---------|-----------|
| Assets | | |
| Accounts receivable - SaskOats' funding contributions (netted against above) | \$ 0 | \$ 68,341 |
| Accounts receivable - AOGC's funding contributions | 15,555 | 6,846 |
| Accounts receivable - MOGA's funding contributions | 25,668 | 5,641 |
| Liabilities | | |
| Accounts payable - Board of Director expenses | 11,914 | 12,470 |
| Accounts payable - SaskOats' funding contributions | 1,342 | |
| Revenue | | |
| Funding contributions (SaskOats) | 458,758 | 442,254 |
| Funding contributions (AOGC) | 70,356 | 72,865 |
| Funding contributions (MOGA) | 180,068 | 165,807 |
| POBC contributions (MOGA) | 28,472 | 28,472 |
| Grant funds received from SaskOats | | 15,000 |

Prairie Oat Growers Association Inc.

Notes to Financial Statements
For the year ended July 31, 2017
(Unaudited)

9. Projects and Future Funding Commitments

In the current year, the organization was involved in the following projects:

Oat Sustainability Project (OSP)

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.

The following initiative was undertaken as part of the Oat Sustainability Project.

Oats Improve the Gastrointestinal Health of Horses

The purpose of this project is to increase horses' gastrointestinal health from the inclusion of whole oats in horses' diets. The organization has agreed to fund a total of \$116,106, denoted in US dollars from August 1, 2015 through August 1, 2017 toward a research project conducted by the Pennsylvania State University. POGA is eligible for a grant for up to \$110,000, denoted in Canadian dollars, from the Western Grain Research Foundation over the defined period. Amounts paid in the current year total \$75,730 (\$152,151 to date), measured in Canadian dollars, and are eligible expenses under the Western Grain Research Foundation grant. These expenses have been recognized in the Oat Sustainability Project expenses.

Developing Superior Oat Cultivars for Canada and Prairie Oat Breeding Consortium (POBC)

POGA has agreed to participate in a collaborative research project with Agriculture and Agri-Food Canada (AAFC) for the purposes of developing superior oat cultivars for Canada. This project is led and administered by AAFC. POGA has committed to funding \$1,098,581 of the total project budget of \$2,865,829. Eligible expenditures paid and recognized as an expense in the current year total \$225,143 (\$927,203 to date). The project commenced in April 2013 and will continue to March 31, 2018.

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 membership fees.

Post Doctoral Researcher and Prairie Oat Breeding Consortium (POBC)

POGA has agreed to contribute funding to support the salary of a post doctoral researcher to assist with the oat breeder at AAFC's Brandon Research and Development Centre. POGA has committed to funding \$150,000 over the period commencing April 1, 2017 and ending March 31, 2019. POGA has received \$33,295 from industry partners towards the funding of this project. Eligible expenditures paid and recognized as an expense in the current year total \$25,000.

Development of Oat Cultivars

The organization has agreed to fund \$20,000 per year, April 1, 2013 through March 31, 2018, with an optional two-year renewal period, toward a research project undertaken by Oat Advantage in Saskatoon, Saskatchewan with the goal of improving the oat line quality selection for low hull content and improved oat line selection of variation of oat groat hairs. Amounts paid and recognized as an expense in the current year total \$20,000 (\$100,000 to date), which is the final payment under the original agreement.

Prairie Oat Growers Association Inc.

Notes to Financial Statements
For the year ended July 31, 2017
(Unaudited)

9. Projects and Future Funding Commitments - continued

Occurrence and Fate of Toxicogenic Fungi and Their Associated Mycotoxins in Saskatchewan-Grown Oats and Oat Milling Projects

The purpose of this project is to investigate the occurrence of specific fungi and their associated mycotoxins in oats grown in different regions across the Canadian Prairies, with a focus on those grown in Saskatchewan, the effect of sample processing on fungal and mycotoxin measurements, and the effects of de-hulling, steaming, kilning and milling on concentrations of mycotoxigenic fungi and mycotoxins in oats and oat milling products. POGA is eligible for a grant of up to \$233,772 from the Government of Saskatchewan as represented by the Ministry of Agriculture through the Ministry's Agriculture Development Fund, in defined contribution levels over five years, commencing January 2014. \$76,678 in funding has been recognized as revenue in the current year (\$219,062 to date). Additionally, a third party has committed to providing \$619,749 of in-kind contributions to the project over the five-year period. POGA has committed to contributing an additional \$19,480 in excess of grant funds received, in each of the first four years of the project. Eligible expenses recognized in the current year total \$96,159 (\$296,910 to date).

Yield Response and Test Weight Stability of Oat to Fertilizer N

The organization entered into a grant agreement with the Saskatchewan Ministry of Agriculture under its Agricultural Demonstration of Practices and Technologies (ADOPT) initiative on behalf of a third party group to fund a project aiming to validate research results regarding the responsiveness of oats to a particular fertilizer, expose growers to new oat cultivars and to determine if the test weight of current oat cultivars vary in the stability of their test weight as the nitrogen rate is increased. The total value of the grant is up to \$30,720. Amounts received, paid and recognized as revenue and expense in the current year total \$5,500 (\$30,720 to date). This project was completed in the current fiscal year.

Transposon-Mediated Activation Tagging in Oats

The purpose of this project is to lay the foundation for a new method of identifying genes to improve oat breeding. POGA is eligible for a grant of up to \$151,500 from the Government of Canada as represented by the Ministry of Agriculture and Agri-Food through the Ministry's AgriInnovation Program, in defined contribution levels over four years commencing April 1, 2014, to fund 75% of eligible expenditures under this project. POGA has contracted a third party to carry out the project at a total cost of \$197,801. Eligible expenses recognized in the current year total \$50,600 (\$149,500 to date).

Crop Sequencing of Large Acreage Crops

The organization has agreed to fund a total of \$32,500 from December 5, 2014 through July 20, 2020 toward a research project conducted by the Ministry's Agriculture Development Fund to identify crop sequence and rotation changes that will increase the yield and quality of special crops and other crops as the climate changes from a warm, dry environment to a wet, cool environment. POGA has received \$20,000 from industry partners towards the funding of this project, which has been fully recognized to date. Amounts paid and recognized expense in the current year total \$10,000 (\$22,500 to date).

Prairie Oat Growers Association Inc.

Notes to Financial Statements
For the year ended July 31, 2017
(Unaudited)

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

Investigation of Avenanthramides

The organization has agreed to fund a total of \$90,000 from December 5, 2014 through December 31, 2017 toward a research project conducted by the University of Saskatchewan to survey the content of nutritional avenanthramides in oat species, cultivators and breeding lines to increase the levels of the healthy compounds in oats. Amounts paid and recognized as an expense in the current year total \$30,000 (\$80,000 to date).

Breeding for Resistance to Leaf Blotch Pathogens in Saskatchewan Oats

The organization has agreed to fund a total of \$45,000 from December 5, 2014 through November 15, 2017 toward a research project conducted by the University of Saskatchewan to increase the resistance of Pyrenophora and Stagnospora pathogens in commercial oat fields. Amounts paid and recognized as an expense in the current year total \$15,000 (\$30,000 to date).

Develop New Strategies to Efficiently Utilize Oat Grains in High Production Dairy Cows

The organization has agreed to fund a total of \$228,290 from September 2, 2017 through August 30, 2023 toward a research project conducted by the University of Saskatchewan to increase and enhance knowledge of the optimal nutrient supply to dairy cattle through variety selection, feed processing, and optimal feed ingredient blending. These 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). Amounts paid and recognized as an expense in the current year total \$28,750.

Crown Rust Initiative

The organization has agreed to fund a maximum of \$100,000, denoted in US dollars, from October 1, 2015 through July 1, 2019 toward a research project conducted by the United States Department of Agriculture, Agricultural Research Service to identify genes that will provide resistance to crown rust in oats. Payments are to be made October 1, 2015, and each July 1 thereafter upon receipt of invoice. No payments were made in the current year (\$27,466 in the prior year, measured in Canadian dollars).

Mitigating Mycotoxins in the Canadian Food Value Chain

The organization has agreed to fund a total of \$40,000 plus GST from March 31, 2016 through March 31, 2018 toward a research project conducted by Food & Consumer Products Canada to identify methods to minimize the development of mycotoxins in oats. Amounts paid and recognized as an expense in the current year total \$14,000 (\$28,000 to date).

Comparison of Quality Among International Oat Sources

The organization has agreed to fund a total of \$7,351, January 2, 2017 through March 31, 2018, toward a research project conducted by Dr. Nancy Ames at AAFC to conduct a direct comparison of quality between oats sourced from several major oat-producing countries. Amounts paid and recognized as revenue and expense in the current year total \$7,351. This funding commitment was completed in the current fiscal year.

Prairie Oat Growers Association Inc.

Notes to Financial Statements
For the year ended July 31, 2017
(Unaudited)

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

Estimation of Beta Glucans Content and Yield of Seeds from Different Oat Varieties in Alberta

The organization has agreed to fund a total of \$15,750 toward a research project led by Gateway Research Organization commencing May 5, 2016 to investigate the impact of the milling varieties and growing conditions on the yield and beta glucan in Westlock, Alberta and Fahler, Alberta. POGA has received \$11,000 from industry partners towards the funding of this project. Amounts paid and recognized as revenue and expense in the current year total \$7,875 (\$15,750 to date). This project was completed in the current fiscal year.

The organization entered into a second agreement to fund a total of \$35,500, payable in four instalments of \$8,875 as specific requirements are completed, towards an extension of the research project commencing April 1, 2017. POGA has received \$11,000 from industry partners towards the funding of this project. Amounts paid and recognized as revenue and expense in the current year total \$8,875.

Oatdeal Coffee Additive

The organization has agreed to fund a total of \$10,000 toward a research project, commencing July 1, 2016, conducted by the University of Alberta, to develop an oat-based beverage additive with protein, beta glucan and a probiotic. Amounts paid and recognized as expense in the current year total \$10,000. This project was completed in the current fiscal year.

Product Development from Gluten Free Oat Fractions

The organization has agreed to fund a total of \$10,000 toward a research project, commencing November 1, 2016, conducted by the University of Alberta, to develop an oat-based commercial prototype from each gluten free oat fraction. Amounts paid and recognized as expense in the current year total \$10,000. This project was completed in the current fiscal year.

Development of an Oat Based Beverage Rich in Dietary Fibre and Protein

The organization has agreed to fund a total of \$60,000, July 1, 2016 through August 31, 2019, toward a research project conducted by the University of Alberta to develop two oat protein based beverages that will improve the quality of life of patients who are undergoing radiation therapy. No expenses have been incurred by POGA to date regarding this project.

Development of the Mexican Oat Market

The purpose of this project is to develop the Mexican market for the export of Canadian oats by increasing consumer awareness of the health benefits of oats and developing partnerships with Mexican nutrition and dietitian associations. POGA is eligible for a grant of up to \$161,250 from the Government of Canada as represented by the Minister of Agriculture and Agri-Food, under the "Promotion of Health Benefits of Oats" grant, to fund 50% of eligible expenditures under this project incurred between July 1, 2015 and March 31, 2018. POGA has entered into contracts for the provision of services extending to March 2018, including online marketing and the facilitation of a trade mission. POGA's commitment under this contract totals \$341,000 for contracted services, plus actual travel and meeting costs. Expenses incurred in the current year are recognized in the Mexican Oats expenses.

Prairie Oat Growers Association Inc.

Notes to Financial Statements
For the year ended July 31, 2017
(Unaudited)

9. Projects and Future Funding Commitments - continued

USA Marketing Campaign

The purpose of this project is to increase awareness of the health benefits of oats through the development of a promotion strategy. POGA is eligible for a grant of up to \$143,250 from the Government of Canada as represented by the Minister of Agriculture and Agri-Food, under the "Promotion of Health Benefits of Oats" grant, to fund 50% of eligible expenditures under this project incurred between January 1, 2017 and March 31, 2018. POGA has entered into contracts for the provision of services extending to March 2018, including online marketing through the development of a website and social media marketing. POGA's commitment under this contract totals \$284,000 for contracted services, plus actual travel and meeting costs. Expenses incurred in the current year are recognized in the USA Marketing Campaign expenses. In the current year, POGA received \$75,000 in funding from industry partners as a contribution to the expenses not eligible under the 50% funding model. \$65,612 in industry support revenues for this project have been recognized in the current year.

Grain Safety Sponsorship

The organization has agreed to sponsor the Grain Safety Program initiated by the Canadian Agriculture Safety Association for a total of \$10,000 as per an agreed payment schedule commencing July 19, 2016 and ending August 31, 2017. In return for the sponsorship, Canadian Agriculture Safety Association has agreed to acknowledge POGA as a contributing sponsor throughout the term of the project. Amounts paid in the current year total \$2,500 (\$5,000 to date). These expenses have been recognized in advertising expenses.

Online Grower Manual

The purpose of this project is to provide up-to-date information to growers on maximizing oat yield and quality. The Saskatchewan Oat Development Commission has applied for a grant on behalf of POGA. The project is eligible for a grant of up to \$10,000 from the Government of Saskatchewan as represented by the Ministry of Agriculture through the Ministry's Agriculture Development Fund, to be paid over the period commencing June 2, 2016 and ending July 30, 2017. POGA has entered into contracts for the provision of services extending to June 30, 2017. POGA's commitment under this contract totals \$15,000, with an additional \$5,000 available for other costs incurred. No expenses have been incurred by POGA to date regarding this project.

Development of Oat Research Strategy

The organization has entered into an agreement for the receipt of services to complete a strategy for ongoing research with a focus of encompassing the needs of the entire value chain, and facilitate a strategy session with the oat value chain, including oat growers, at a cost of \$16,950. The project is eligible for a grant of up to \$10,000 from the Government of Saskatchewan as represented by the Ministry of Agriculture through the Ministry's Industry Organization Development Fund. The related services are scheduled to take place during the 2018 fiscal year.

Prairie Oat Growers Association Inc.

Schedule of Expenses
For the year ended July 31, 2017
(Unaudited)

| | 2017 | 2016 |
|--|-------------------|-------------------|
| 1. Research projects - note 9 | | |
| Alberta Oat Variety Trial | 16,750 | 7,875 |
| Leaf Blotch | 15,000 | 15,000 |
| Crop Sequencing | 10,000 | 12,500 |
| Crown Rust | | 27,466 |
| Dairy Cattle - Use of Oats | 28,750 | |
| Development of Oat Cultivars | 20,000 | 20,000 |
| Developing Superior Oat Cultivars | 225,143 | 220,728 |
| Healthier Oat Oil | | 15,000 |
| Investigation of Avenanthramide | 30,000 | 30,000 |
| Mitigating Mycotoxins | 14,000 | 14,000 |
| Mycotoxins in Saskatchewan | 96,159 | 100,784 |
| Oatdeal Coffee Additive | 10,000 | |
| Oat Fractionation | 10,000 | |
| Post-Doctoral Research Assistant | 25,000 | |
| Quality of International Oat Sources | 7,351 | |
| Tagging in Oats | 50,600 | 50,600 |
| Water Soluble Beta Glucan | | 5,000 |
| Yield Response and Test Weight Stability of Oats to Fertilizer N | 5,500 | 36,940 |
| | <u>\$ 564,253</u> | <u>\$ 555,893</u> |
| 2. Market development projects - note 9 | | |
| Mexican Oats | 143,649 | 120,047 |
| Oat Sustainability Project | 75,730 | 150,474 |
| Transportation Impediments | | 21,630 |
| USA Marketing Campaign | 131,225 | |
| | <u>\$ 350,604</u> | <u>\$ 292,151</u> |
| 3. Communications | | |
| Advertising, newsletter, website and membership | 75,874 | 66,596 |
| Market Access | 4,988 | |
| Oat Forum | | 18,707 |
| Sponsorships | 11,500 | |
| | <u>\$ 92,362</u> | <u>\$ 85,303</u> |
| 4. General operating expenses | | |
| Administrative | 201,697 | 209,477 |
| Amortization | 917 | 1,431 |
| Annual conference | 32,569 | 46,467 |
| Directors' travel and administration | 90,689 | 70,000 |
| Insurance | 2,350 | 2,350 |
| Interest and bank charges | 1,193 | 851 |
| (Gain) loss on foreign exchange | (2,000) | 435 |
| Meetings | 19,287 | 17,781 |
| Policy | 21,026 | 13,720 |
| Professional fees | 5,500 | 4,824 |
| Loss on disposal of capital assets | | 355 |
| | <u>\$ 373,228</u> | <u>\$ 367,691</u> |

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