

**Saskatchewan Oat Development Commission**

**FINANCIAL STATEMENTS**

**Year Ended July 31, 2014**

# **Saskatchewan Oat Development Commission**

Regina, Saskatchewan

July 31, 2014

---

## **Table of Contents**

	Page
Independent Auditors' Report	1
Statement of Financial Position	2
Statement of Operations	3
Statement of Cash Flows	4
Notes to Financial Statements	5-10
Auditors' Report on Internal Control	11
Auditors' Report on Legislative Compliance	12



## 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, 2014, 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 practicable 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 practicable 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 referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of Saskatchewan Oat Development Commission as at July 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Collins Barrow PQ LLP

Per: *Mandy Proulx* CA

Yorkton, SK  
December 4, 2014

# Saskatchewan Oat Development Commission

Regina, Saskatchewan

Statement of Financial Position as at July 31, 2014

	2014	2013
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	541,745	283,678
Short-term investments - note 4	1,187,500	1,053,900
Accounts receivable	115,161	134,118
Accrued interest receivable	7,550	7,183
Prepaid expenses	133	512
	<u>1,852,089</u>	<u>1,479,391</u>
<b>Long-Term Investments - note 5</b>	<u>0</u>	<u>275,498</u>
	<u>\$ 1,852,089</u>	<u>\$ 1,754,889</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	<u>84,544</u>	<u>61,090</u>
<b>Net Assets, Unrestricted</b>		
Balance, beginning of year	1,693,799	1,730,278
Add: Excess (deficiency) of revenue over expenses for the year	<u>73,746</u>	<u>( 36,479)</u>
Balance, end of year	<u>1,767,545</u>	<u>1,693,799</u>
	<u>\$ 1,852,089</u>	<u>\$ 1,754,889</u>

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, 2014

	Budget	2014	2013
<b>Revenue</b>			
Producer check-off fees	768,500	749,829	584,052
Less: Producer check-off refunds	( 46,000)	( 36,050)	( 30,032)
	<u>722,500</u>	<u>713,779</u>	<u>554,020</u>
Investment and other income	10,000	14,373	19,193
	<u>732,500</u>	<u>728,152</u>	<u>573,213</u>
<b>Expenses</b>			
Board of Directors	16,000	19,388	14,079
Communications - education	15,000	15,500	15,000
Levy administration fees	40,000	27,845	36,283
Loss on disposal of short-term investments		14,618	1,000
Producer meetings	8,000	8,280	4,139
Proportionate expenses of POGA - note 6	578,000	443,128	407,871
Research and development grants - note 7	106,000	118,000	122,600
General and administrative:	10,500		
Bank charges		670	1,832
Election expense		150	
Memberships		578	949
Newsletter, promotion and website		450	450
Office and other administrative		354	209
Professional fees		5,445	5,280
	<u>773,500</u>	<u>654,406</u>	<u>609,692</u>
<b>Excess (Deficiency) of Revenue Over Expenses for the Year</b>	<u><u>\$ ( 41,000)</u></u>	<u><u>\$ 73,746</u></u>	<u><u>\$ ( 36,479)</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, 2014

	2014	2013
<b>Cash Provided By (Used In):</b>		
Operations		
Excess (deficiency) of revenue over expenses for the year	73,746	( 36,479)
Add items not requiring cash resources		3,512
Amortization of bond premiums		1,000
Loss on disposal of short-term investments	14,618	4,939
Net change in working capital	<u>42,424</u>	<u>4,939</u>
	<u>130,788</u>	<u>( 27,028)</u>
Investing activities		
Additions to short-term investments	( 2,387,500)	( 1,753,900)
Additions to long-term investments		( 331,304)
Proceeds on disposal of long-term investments	260,991	51,294
Proceeds on disposal of short-term investments	<u>2,253,788</u>	<u>2,187,500</u>
	<u>127,279</u>	<u>153,590</u>
<b>Net Cash Increase for the Year</b>	258,067	126,562
Cash position, beginning of year	<u>283,678</u>	<u>157,116</u>
<b>Cash Position, End of Year</b>	<u>\$ 541,745</u>	<u>\$ 283,678</u>
<b>Represented By:</b>		
Cash and cash equivalents	<u>\$ 541,745</u>	<u>\$ 283,678</u>
Net change in working capital consists of:		
Decrease (increase) - accounts receivable	18,957	( 13,069)
- prepaid expenses	379	( 2)
- other current assets	( 367)	8,212
Increase (decrease) - accounts payable and accrued		
- liabilities	<u>23,455</u>	<u>9,798</u>
	<u>\$ 42,424</u>	<u>\$ 4,939</u>
<b>Additional Information</b>		
Interest received	\$ 13,107	\$ 30,917

*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, 2014

---

### 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) Cash and cash equivalents

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

#### (b) 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.

#### (c) 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.

## Saskatchewan Oat Development Commission

Notes to Financial Statements  
For the year ended July 31, 2014

### 2. Significant Accounting Policies - continued

#### (d) 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 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.

### 4. Short-Term Investments

	2014	2013
Description - GICs maturing within 6 months of year end		
Measurement basis - amortized cost		
Significant terms - rates 1.00% to 1.30% (2013 - 1.00-1.25%)	1,187,500	1,037,500
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
	<u>\$ 1,187,500</u>	<u>\$ 1,053,900</u>



## Saskatchewan Oat Development Commission

Notes to Financial Statements  
For the year ended July 31, 2014

	2014	2013
<b>5. Long-Term Investments</b>		
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
	<u>\$ 0</u>	<u>\$ 275,498</u>

### 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 and project expenses of POGA via a cost-sharing arrangement based on levy income net of levy refunds. 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	2014	2013
<b>Assets</b>		
Accounts receivable - POGA (overpayment of funding contributions)	\$ 0	\$ 91,929
<b>Liabilities</b>		
Accounts payable (Board of Director expenses)	1,836	5,046
Accounts payable - POGA (underpayment of funding contributions)	42,588	
<b>Expenses</b>		
Proportionate expenses of POGA	443,128	407,871

# Saskatchewan Oat Development Commission

Notes to Financial Statements  
For the year ended July 31, 2014

## 6. Transactions with Related Parties - continued

In the current year, SODC's share of POGA's net operating deficit is 72% (62% of administrative expenses and 72% of project expenses in the prior year). A summary of POGA's total revenues and expenses appears below:

	2014	2013
Revenues before funding contributions:		
Grant revenues	371,874	256,641
POBC contributions	295,621	185,630
Other revenues	39,899	24,647
	<u>707,394</u>	<u>466,918</u>
Expenses:		
Research projects	450,810	244,273
Market development projects	513,628	505,594
Expansion projects		393
Communications expenses	48,722	49,968
General operating expenses	306,421	253,776
	<u>1,319,581</u>	<u>1,054,004</u>
Deficiency of Revenue over Expenses Before Funding Contributions	<u>( 612,187)</u>	<u>( 587,086)</u>
Funding contributions:		
MOGA	93,599	161,130
SODC	443,128	407,871
AOGC	75,460	18,085
	<u>\$ 0</u>	<u>\$ 0</u>

## 7. Commitments

In 2013 the organization committed to providing \$80,000 per year for three years to the University of Saskatchewan commencing in 2014. The \$80,000 contribution of the current year is included in research and development grant expenses.

In the current year, 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 \$26,000 toward this project in the current year, which is included in research and development grant expenses. The organization is obligated to provide \$13,000 in the 2015 fiscal year and \$6,720 in the 2016 fiscal year.

In the current year, the organization committed to budget \$12,000 per year for three years to post registration variety performance trials by the Saskatchewan Variety Performance Group for the foreseeable future.

## Saskatchewan Oat Development Commission

Notes to Financial Statements  
For the year ended July 31, 2014

### 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	<ul style="list-style-type: none"> <li>- \$122,601 in US dollars commencing February 1, 2013 and ending January 31, 2015, \$50,823 in Canadian dollars of which was expended in the current year (\$41,995 in the prior year)</li> <li>- POGA is eligible for up to \$66,150 in grant funds for this project, \$23,940 of which was received in the current year (\$38,640 in the prior year)</li> </ul>
Julie Goodnight sponsorship	<ul style="list-style-type: none"> <li>- \$91,200 in US dollars commencing November 1, 2012 and ending October 1, 2014, \$48,936 in Canadian dollars of which was expended in the current year (\$34,556 in the prior year)</li> </ul>
Improving Export of Canadian Oats	<ul style="list-style-type: none"> <li>- contracts for facilitating meetings with representatives of the agricultural products transportation industry; remaining commitments under contract total \$21,500 for contracted services plus actual travel and meeting costs</li> </ul>
Healthier Oat Oil	<ul style="list-style-type: none"> <li>- \$90,000 over four years commencing January 1, 2013, \$30,000 of which was expended in the current year (\$15,000 in the prior year)</li> </ul>
Water Soluble Beta Glucan	<ul style="list-style-type: none"> <li>- \$90,000 over three years commencing August 1, 2012, \$30,000 of which was expended in the current year (\$30,000 in the prior year)</li> </ul>
Development of Oat Cultivars (Oat Advantage)	<ul style="list-style-type: none"> <li>- \$20,000 annually over 5 years commencing April 1, 2013, with a 2-year extension option, \$20,000 of which was expended in the current year (\$20,000 in the prior year)</li> </ul>
Yield Response and Test Weight Stability of Oat to Fertilizer N	<ul style="list-style-type: none"> <li>- POGA has agreed to apply for a grant to a maximum of \$30,720 on behalf of a third party</li> </ul>
CAAP project	<ul style="list-style-type: none"> <li>- POGA has agreed to apply for a grant to a maximum of \$97,000 on behalf of a third party</li> <li>- POGA has committed to providing an additional \$10,000 toward the project, which has been recognized as an expense of the current year</li> </ul>

## Saskatchewan Oat Development Commission

Notes to Financial Statements  
For the year ended July 31, 2014

---

### 7. **Commitments** - continued

Developing Superior Oat Cultivars and Prairie Oat Breeding Consortium	- \$1,098,581 over 5 years commencing April 1, 2013, \$264,932 of which was expended in the current year
Other commitments	- \$50,000 per year for two years commencing April 2014 for research, industry consultation and liaison services, payable monthly

### 8. **Budget**

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