

**FINANCIAL  
STATEMENTS**

**Saskatchewan Oat  
Development Commission**

**Year Ended July 31, 2012**

# Saskatchewan Oat Development Commission

Regina, Saskatchewan

July 31, 2012

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# PARKERQUINE LLP

Chartered Accountants Business Advisors

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## 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, 2012, 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, 2012, 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  
December 18, 2012

# Saskatchewan Oat Development Commission

Regina, Saskatchewan

Statement of Financial Position as at July 31, 2012

	2012	2011
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	157,118	64,189
Short-term investments - note 5	1,487,500	1,587,500
Accounts receivable	121,049	89,618
Accrued interest receivable	15,395	13,248
Prepaid expenses	510	355
	<u>1,781,572</u>	<u>1,754,910</u>
<b>Capital Assets - note 6</b>	<u>0</u>	<u>700</u>
	<u>\$ 1,781,572</u>	<u>\$ 1,755,610</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	<u>51,293</u>	<u>71,156</u>
<b>Net Assets, Unrestricted</b>		
Balance, beginning of year	1,684,454	1,759,069
Add: Excess (deficiency) of revenue over expenses for the year	<u>45,825</u>	<u>( 74,615)</u>
Balance, end of year	<u>1,730,279</u>	<u>1,684,454</u>
	<u>\$ 1,781,572</u>	<u>\$ 1,755,610</u>

Approved on behalf of the board:

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## Saskatchewan Oat Development Commission

Statement of Operations  
For the year ended July 31, 2012

	Budget	2012	2011
<b>Revenue</b>			
Producer check-off fees	575,000	700,274	456,131
Less: Producer check-off refunds	<u>( 31,625)</u>	<u>( 21,441)</u>	<u>( 21,469)</u>
	543,375	678,833	434,662
Investment and other income	<u>23,000</u>	<u>26,512</u>	<u>25,108</u>
	<u>566,375</u>	<u>705,345</u>	<u>459,770</u>
<b>Expenses</b>			
Amortization			699
Board of Directors	23,500	10,436	7,378
Communications - education	53,192	15,000	10,000
Levy administration fees	39,786	38,013	37,891
Loss on disposal of short-term investments		700	3,086
Producer meetings		6,143	6,309
Proportionate expenses of POGA - note 7	395,108	488,871	322,937
Research and development grants	128,278	88,400	138,400
General and administrative:	13,291		
Bank charges		292	551
Memberships		794	1,023
Newsletter, promotion and website		4,727	875
Office and other administrative		204	66
Professional fees		<u>5,940</u>	<u>5,170</u>
	<u>653,155</u>	<u>659,520</u>	<u>534,385</u>
<b>Excess (Deficiency) of Revenue Over Expenses for the Year</b>	<u><u>\$ ( 86,780)</u></u>	<u><u>\$ 45,825</u></u>	<u><u>\$ ( 74,615)</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, 2012

	2012	2011
<b>Cash Provided By (Used In):</b>		
Operations		
Excess (deficiency) of revenue over expenses for the year	45,825	( 74,615)
Add items not requiring cash resources		
Amortization		699
Loss on disposal of short-term investments	700	3,086
Net change in working capital	<u>( 53,596)</u>	<u>( 62,580)</u>
	<u>( 7,071)</u>	<u>( 133,410)</u>
Investing activities		
Additions to short-term investments	( 1,737,500)	( 1,400,000)
Proceeds on disposal of short-term investments	<u>1,837,500</u>	<u>1,484,414</u>
	<u>100,000</u>	<u>84,414</u>
<b>Net Cash Increase (Decrease) for the Year</b>	92,929	( 48,996)
Cash position, beginning of year	<u>64,189</u>	<u>113,185</u>
<b>Cash Position, End of Year</b>	<u>\$ 157,118</u>	<u>\$ 64,189</u>
<b>Represented By:</b>		
Cash and cash equivalents	<u>\$ 157,118</u>	<u>\$ 64,189</u>
Net change in working capital consists of:		
Decrease (increase) - accounts receivable	( 31,431)	18,254
- prepaid expenses	( 155)	2,832
- other current assets	( 2,147)	3,928
Increase (decrease) - accounts payable and accrued liabilities	<u>( 19,863)</u>	<u>( 87,594)</u>
	<u>\$( 53,596)</u>	<u>\$( 62,580)</u>
<b>Additional Information</b>		
Interest received	\$ 22,655	\$ 28,086

*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, 2012

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## 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, 2012

### 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:

	2012	2011
Maturing within 6 months of year end	1,187,500	887,500
- rates	1.15-2.00%	1.30-1.70%
Maturing 6 to 12 months of year end	300,000	350,000
- rates	1.45%	1.50%
Maturing after 12 months of year end		350,000
- rates		2.00%
	<u>\$ 1,487,500</u>	<u>\$ 1,587,500</u>

### 6. Capital Assets

#### Cost

Computer equipment		2,730
Computer software		766
	<u>0</u>	<u>3,496</u>

#### Accumulated amortization

Computer equipment		2,184
Computer software		612
	<u>0</u>	<u>2,796</u>

Net book value	<u>\$ 0</u>	<u>\$ 700</u>
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## Saskatchewan Oat Development Commission

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

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### 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	2012	2011
<b>Assets</b>			
Accounts receivable - POGA's expenses paid by SODC	no specific terms	\$ 0	\$ 7,461
Accounts receivable - POGA (overpayment of funding contributions)	no specific terms		7,676
<b>Liabilities</b>			
Accounts payable (Board of Director expenses)	no specific terms	3,457	1,047
Accounts payable - POGA (underpayment of funding contributions)	no specific terms	32,121	
Accounts payable - POGA (expenses paid by POGA)	no specific terms	44	
<b>Expenses</b>			
Proportionate expenses of POGA	no specific terms	488,871	322,937

## Saskatchewan Oat Development Commission

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

### 7. Related-Party Transactions - continued

In the current year, SODC's share of POGA's net operating expenses is 77% (65% in the prior year). A summary of POGA's total revenues and expenses appears below:

	<b>SODC's Share of Expenses</b>	<b>2012</b>	<b>2011</b>
<b>Revenues before funding contributions:</b>			
Grant revenues		45,038	121,350
POBC contributions		185,895	185,895
Other revenues		17,529	7,091
		<u>248,462</u>	<u>314,336</u>
<b>Expenses:</b>			
Research projects	223,898	290,776	487,046
Market development projects	253,874	329,706	142,016
Expansion projects	8,415	10,928	44,024
Communications expenses	31,917	41,451	28,875
General operating expenses	162,736	211,346	101,906
	<u>680,840</u>	<u>884,207</u>	<u>803,867</u>
Deficiency of Revenue over Expenses Before Funding Contributions		<u>( 635,745)</u>	<u>( 489,531)</u>
<b>Funding contributions:</b>			
MOGA		146,874	171,215
SODC		488,871	318,316
		<u>\$ 0</u>	<u>\$ 0</u>

SODC's share of expenses as identified above is before consideration of portions of those expenses which have been funded through revenues earned by POGA directly.

### 8. Commitments

In the 2008 year, the organization committed to providing \$100,000 per year for each of the following five years, to further oat research at the Crop Development Centre at the University of Saskatchewan. Initially, payments were due semi-annually, commencing July 1, 2008. In the current year, both parties agreed to alter the payment schedule to August 1 and February 1 of the remaining years. The eighth \$50,000 semi-annual payment of this commitment, paid during the year, is included in research and development grant expenses. Two semi-annual payments remain, to be paid August 1, 2012 and February 1, 2013.

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. These expenses are included in research and development grant expenses.

Subsequent to year end, the organization approved a \$3,000 contribution to the Canadian Feed Research Centre.

## Saskatchewan Oat Development Commission

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

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### 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.

<b>Project</b>	<b>Terms</b>
Collaborative Oat Research Enterprise (CORE)	<ul style="list-style-type: none"><li>- \$134,000 over three years ending March 2013, \$110,997 of which has been expended to date</li><li>- \$127,100 in US dollars over three years ending December 31, 2012, all of which has been expended to date</li><li>- POGA is eligible for up to \$107,000 in additional funding to offset 64% of project activities, \$95,700 of which has been expended to date</li></ul>
Enhanced Oat Pedigree Database (POOL)	<ul style="list-style-type: none"><li>- \$14,000 over three years ending March 2013, \$11,568 of which has been expended to date</li></ul>
Nationwide Oat Breeding Line Screening Network	<ul style="list-style-type: none"><li>- \$80,000 over three years ending March 2013, \$64,416 of which has been expended to date</li></ul>
Breeding Oat for Western Canada/Prairie Oat Breeding Consortium (POBC)	<ul style="list-style-type: none"><li>- \$511,000 over three years ending March 2013, \$422,009 of which has been expended to date</li><li>- POGA has partnered with other milling and oat industry organizations for contributions towards its funding commitment</li></ul>
Equine Feed Oat Project	<ul style="list-style-type: none"><li>- Contract for public relations in the subsequent fiscal year totalling \$69,000 in US dollars</li><li>- Contract for research and consulting services for \$52,500</li><li>- POGA has budgetted a total of \$585,000 for this project, including \$94,000 in support of an Equine Oat Research Advisory Board and \$40,000 in support of media</li></ul>
Healthier Oat Oil	<ul style="list-style-type: none"><li>- \$90,000 over four years commencing August 1, 2012</li></ul>
Gene Identification	<ul style="list-style-type: none"><li>- \$90,000 over three years commencing August 1, 2012, contingent upon approval of the project by the Agricultural Development Fund</li></ul>

### 9. Budget

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