

**FINANCIAL
STATEMENTS**

**Prairie Oat Growers
Association Inc.**

Year Ended July 31, 2011

Prairie Oat Growers Association Inc.

Yorkton, Saskatchewan

July 31, 2011

(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, 2011 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 generally accepted accounting principles.

PARKERQUINE LLP

Per: *Mandy P... CA*

Yorkton, SK
January 4, 2012

Prairie Oat Growers Association Inc.
 Yorkton, Saskatchewan
 Statement of Financial Position as at July 31, 2011
 (Unaudited)

	2011	2010
Assets		
Current Assets		
Cash and cash equivalents		57,118
Accounts receivable - note 5	192,313	101,206
Prepaid expenses	<u>2,300</u>	<u>2,300</u>
	194,613	160,624
Capital Assets - note 6	<u>121</u>	<u>363</u>
	<u>\$ 194,734</u>	<u>\$ 160,987</u>
Liabilities and Net Assets		
Current Liabilities		
Bank overdraft	11,238	
Accounts payable and accrued liabilities	<u>177,571</u>	<u>155,062</u>
	<u>188,809</u>	<u>155,062</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>\$ 194,734</u>	<u>\$ 160,987</u>

Approved on behalf of the board:

Prairie Oat Growers Association Inc.

Statement of Operations
For the year ended July 31, 2011
(Unaudited)

	2011	2010
Revenue Before Funding Contributions		
<i>Grant revenues:</i>		
Alberta Growing Forward - note 8	25,650	
Growing Canadian Agri-Innovations Program (DIAP) - note 8	95,700	
<i>Other revenues:</i>		
Conference revenues	6,465	19,711
Prairie Oat Breeding Consortium partner contributions - note 8	185,895	
Gain on disposal of capital assets		121
Gain on foreign exchange	626	
	314,336	19,832
Expenses		
<i>Research projects:</i>		
CORE - note 8	196,127	
POOL - note 8	4,947	
Nationwide Network - note 8	26,836	
Breeding Oat for Western Canada - note 8	245,732	
Other research and development projects	13,405	
<i>Market development projects:</i>		
Equine Feed Oat Project - note 8	142,016	104,357
<i>Expansion projects:</i>		
Alberta Oat Grower Commission - note 8	44,024	
<i>Communications</i>		
Advertising, sponsorships, newsletter and website	28,875	36,423
<i>General operating expenses:</i>		
Administration contracts	52,516	51,180
Amortization	242	121
Annual conference	9,181	13,048
Bank charges	195	136
Directors' travel and administration	21,991	26,513
Manager's expenses		9,062
Meetings attended	3,445	1,351
Meetings - POGA sponsored	3,132	1,159
Memberships	2,500	617
Office and postage	3,563	4,866
Rent - building	746	1,501
Telephone	4,394	5,270
	803,867	255,604
Deficiency of Revenue Over Expenses Before Funding Contributions	(489,531)	(235,772)
Funding Contributions - note 7		
Manitoba Oat Growers Association	171,215	68,225
Saskatchewan Oat Development Commission	318,316	167,547
	489,531	235,772
Excess of Revenue Over Expenses for the Year	\$ 0	\$ 0

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, 2011
(Unaudited)

	2011	2010
Cash Provided By (Used In):		
Operations		
Excess of revenue over expenses for the year	0	0
Add items not requiring cash resources		
Amortization	242	121
Loss (gain) on disposal of capital assets		(121)
Net change in working capital	<u>(68,598)</u>	<u>49,330</u>
	(68,356)	49,330
Investing activities		
Proceeds on disposal of capital assets	<u>0</u>	<u>605</u>
Net Cash Increase (Decrease) for the Year	(68,356)	49,935
Cash position, beginning of year	<u>57,118</u>	<u>7,183</u>
Cash Position, End of Year	<u>\$(11,238)</u>	<u>\$ 57,118</u>
Represented By:		
Cash and cash equivalents		57,118
Bank overdraft	<u>(11,238)</u>	<u> </u>
	<u>\$(11,238)</u>	<u>\$ 57,118</u>
Net change in working capital consists of:		
Decrease (increase) - accounts receivable	(91,107)	(29,588)
- prepaid expenses		(1,883)
Increase (decrease) - accounts payable and accrued liabilities	<u>22,509</u>	<u>80,801</u>
	<u>\$(68,598)</u>	<u>\$ 49,330</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, 2011
(Unaudited)

1. Nature of Operations

The Prairie Oat Growers Association ("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.

POGA also works to co-ordinate the efforts of the Saskatchewan Oat Development Commission and the Manitoba Oat Growers Association. Further information regarding the relationship between POGA and these provincial organizations is detailed in note 7.

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) 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:

Furniture, fixtures and equipment	5 years
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(b) Revenue

Funding contributions from the Saskatchewan Oat Development 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 are recognized in the same period in which the related expenditures are made, provided all grant qualifications have been met and collection is reasonable assured.

Prairie Oat Breeding Consortium partner contributions are recognized in the fiscal year in which the related membership year ends.

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

(c) Project expenses

Project expenses are recognized as the related expenditure is made.

Prairie Oat Growers Association Inc.

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

2. Significant Accounting Policies - continued

(d) 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 and cash equivalents, accounts receivable, 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 and net assets.

	2011	2010
5. Accounts Receivable		
Accounts receivable are comprised of the following items:		
Trade accounts receivable	96,613	101,206
Accrued grants receivable - DIAP - note 8	<u>95,700</u>	<u> </u>
	<u>\$ 192,313</u>	<u>\$ 101,206</u>

6. Capital Assets

Cost		
Furniture, fixtures and equipment	605	605
Accumulated amortization		
Furniture, fixtures and equipment	<u>484</u>	<u>242</u>
Net book value	<u>\$ 121</u>	<u>\$ 363</u>

Prairie Oat Growers Association Inc.

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

7. Related-Party Transactions

Included in these financial statements are transactions with the Saskatchewan Oat Development Commission (SODC) and the Manitoba Oat Growers Association (MOGA), both 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 the SODC and the MOGA. The SODC and the MOGA have agreed to jointly fund the operations of the organization 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 the SODC or the MOGA exclusively are recovered from that organization based on the cost to the Prairie Oat Growers Association Inc.

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

Financial Statement Accounts	Terms or Conditions	2011	2010
Assets			
Accounts receivable - MOGA's expenses paid by POGA	no specific terms	\$ 3,864	\$ 27,178
Accounts receivable - SODC's funding contributions	no specific terms	0	74,028
Accounts receivable - MOGA's funding contribution	no specific terms	64,935	0
Liabilities			
Accounts payable - board of director expenses	no specific terms	4,134	11,581
Accounts payable - management expenses	no specific terms	0	18,309
Accounts payable - MOGA's funding contributions	no specific terms	0	86,280
Accounts payable - POGA's expenses paid by SODC	no specific terms	7,461	25,461
Accounts payable - SODC's funding contribution	no specific terms	7,676	0
Revenue			
Funding contributions (MOGA)	no specific terms	171,215	68,225
Funding contributions (SODC)	no specific terms	318,316	167,547
POBC contributions (MOGA)	no specific terms	23,872	0

Prairie Oat Growers Association Inc.

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

8. Projects and Future Funding Commitments

In the current year, the organization was involved in several projects of benefit to the oat industry as follows:

DIAP Program related projects

The following four projects are undertaken in collaboration with the the Government of Canada by the Ministry of Agriculture and Agri-Food under the Developing Innovative Agri-Products (DIAP) Initiative of the Growing Canadian Agri-Innovations Program. The project activities are administered and overseen by the Ministry of Agriculture and Agri-Food, with the exception of certain activities under the CORE project, as further described below. POGA's commitments for the components funded by the Government of Canada extend over a period of three years ending March 31, 2013 (\$324,000 by July 31, 2011, \$220,000 by July 31, 2012 and \$195,000 by March 31, 2013, all pending the completion of satisfactory reporting by the Ministry).

Strengthening the Collaborative Oat Research Enterprise (CORE) to Benefit Canadians

The purpose of this project is to identify gene markers to provide plant breeders with new knowledge and better tools to more quickly develop superior oat varieties, and to improve the competitiveness of oat through the generation of cultivars with enhanced benefits to human health, superior agronomics and disease resistance. The CORE project includes the following funding components:

- POGA has committed to fund \$134,000 of the total \$365,000 budget under the DIAP program relating to activities to be administered by the Ministry of Agriculture and Agri-Food. Amounts paid and recognized as an expense in the current year total \$46,578.
- POGA has committed to provide a total of \$127,100 denoted in US dollars to the United States Department of Agriculture (USDA), Agricultural Research Service for their project entitled "The North American Collaborative Oat Research Enterprise (CORE)." POGA has agreed to provide funding of \$36,000 US by December 31, 2010, \$87,100 US by December 31, 2011 and \$4,000 by December 31, 2012. Amounts paid to the USDA and recognized as an expense in the current year total \$121,198 (\$123,100 in US dollars).
- POGA is eligible for up to \$107,000 in additional funding under the DIAP program to offset 64% of specific activities to be administered by POGA (exclusive of the funding commitments payable to the Ministry of Agriculture and Agri-Food, but inclusive of the commitments payable to the USDA indicated above) over a three-year period ending March 2013. Amounts paid in relation to this component of the project and recognized as an expense in the current year total \$149,548. Related grant revenues of \$95,700 have been accrued in relation to these qualifying expenses.

Enhanced Oat Pedigree Database (POOL)

The purpose of this project is to update and expand a database of information relating to oat pedigree data. POGA has committed to funding \$14,000 of the total project budget of \$52,000.

Nationwide Oat Breeding Line Screening Network (Nationwide Network)

The purpose of this project is to establish a national oat breeding line screening network to investigate the suitability of existing oat cultivars in all the oat growing regions of Canada. POGA has committed to funding \$80,000 of the total project budget of \$265,000.

Prairie Oat Growers Association Inc.

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

8. Projects and Future Funding Commitments - continued

Breeding Oat for Western Canada

The purpose of this project is to fund a breeding program aimed at developing food and milling quality cultivars adapted to the western provinces. POGA has committed to funding \$511,000 of the total project budget of \$1,022,000.

Prairie Oat Breeding Consortium (POBC)

The Prairie Oat Breeding Consortium, a group of oat industry stakeholders, has agreed to fund POGA's DIAP program commitments regarding the "Breeding Oat for Western Canada" project. POGA has agreed to collect annual fees from the POBC and apply these monies towards POGA's DIAP funding commitments.

Equine Feed Oat Project

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. POGA has committed to a related contract for public relations services 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.

Alberta Oat Grower Commission Project

The objective of this project is to determine the level of support to create an Alberta Oat Grower Commission. POGA received a grant from the Government of Canada Growing Forward program administered by the Government of Alberta toward the cost of performing a survey of Alberta oat growers.

Future Commitments

Subsequent to year end, the organization agreed to fund a total of \$90,000 over four years commencing August 1, 2012 toward a research project with the goal of improving the stability and nutritional properties of oat oil by identifying oat germplasm with higher proportions of oleic acid.

The organization has also committed, by way of budget an additional \$94,000 in support of an Equine Oat Research Advisory Board.