

Manitoba Oat Growers Association

FINANCIAL STATEMENTS

Year Ended July 31, 2017

Manitoba Oat Growers Association

Regina, Saskatchewan

July 31, 2017

(Unaudited)

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Review Engagement Report

To the members
Manitoba Oat Growers Association

We have reviewed the Statement of Financial Position of Manitoba Oat Growers Association 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

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

Assets	2017	2016
Current Assets		
Cash and cash equivalents	141,194	156,658
Short-term investments - note 4	50,000	50,000
Accounts receivable	14,415	26,529
Accrued interest receivable	35	71
Prepaid expenses	<u>23,264</u>	<u>22,789</u>
	<u>\$ 228,908</u>	<u>\$ 256,047</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	<u>29,847</u>	<u>64,327</u>
Net Assets, Unrestricted		
Balance, beginning of year	191,720	172,707
Add: Excess of revenue over expenses for the year	<u>7,341</u>	<u>19,013</u>
Balance, end of year	<u>199,061</u>	<u>191,720</u>
	<u>\$ 228,908</u>	<u>\$ 256,047</u>

Approved on behalf of the board:



Manitoba Oat Growers Association

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

	2017	2016
Revenue		
Producer fees	260,333	253,620
Less: Producer fee refunds	(8,033)	(5,618)
Investment income	308	178
	<u>252,608</u>	<u>248,180</u>
Expenses		
Annual general meeting	6,634	5,824
Board of Directors	8,075	6,572
Levy administration fees	12,808	12,658
Prairie Oat Breeding Consortium membership	28,472	28,472
Producer meetings	248	
Proportionate expenses of POGA - note 5	180,068	165,807
Research and development		1,366
General and administrative:		
Communications - promotion and website	5,421	4,434
Interest and bank charges	93	303
Memberships	1,050	1,050
Office and other administrative	25	306
Professional fees	2,373	2,375
	<u>245,267</u>	<u>229,167</u>
Excess of Revenue Over Expenses for the Year	<u>\$ 7,341</u>	<u>\$ 19,013</u>

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

Manitoba Oat Growers Association

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	7,341	19,013
Net change in working capital	<u>(22,805)</u>	<u>51,681</u>
	(15,464)	70,694
Investing activities		
Additions to short-term investments	<u>0</u>	<u>(50,000)</u>
Net Cash Increase (Decrease) for the Year	(15,464)	20,694
Cash position, beginning of year	<u>156,658</u>	<u>135,964</u>
Cash Position, End of Year	<u>\$ 141,194</u>	<u>\$ 156,658</u>
Represented By:		
Cash and cash equivalents	<u>\$ 141,194</u>	<u>\$ 156,658</u>
Net change in working capital consists of:		
Decrease (increase) - accounts receivable	12,114	(4,277)
- prepaid expenses	(475)	(3,370)
- other current assets	36	(71)
Increase (decrease) - accounts payable and accrued liabilities	<u>(34,480)</u>	<u>59,399</u>
	<u>\$(22,805)</u>	<u>\$ 51,681</u>

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

Manitoba Oat Growers Association

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

1. Nature of Operations

The organization was formed on July 25, 2008. The Manitoba Oat Growers Association is designated as the representative organization of all producers of oats in Manitoba, pursuant to The Manitoba Oat Growers Association Designation Regulation ("the Regulation"), under the authority of The Agricultural Producers' Organization Funding Act of Manitoba. 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 (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 fee of \$0.50 per tonne of oats sold in Manitoba, collected upon the purchasing of the grain from the producer. Producers may request a refund for fees paid in the year by submitting a written request within time limits as defined in the Regulation.

Producer 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 not 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.

Manitoba Oat Growers Association

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

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 not exposed to significant risks through its financial instruments.

4. Short-Term Investments

Short-term investments consists of a GIC bearing interest at 0.61% per annum, maturing in September 2017.

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. The proportionate share of the actual costs attributable to each organization was determined at two points in the current 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 balances bear no specific terms of repayment. Related party transactions and balances included in the financial statements are as follows:

Financial Statement Accounts	2017	2016
Liabilities		
Accounts payable - Board of Director expenses	\$ 309	\$ 989
Accounts payable - POGA (underpayment of funding contributions)	25,668	56,441
Expenses		
Proportionate expenses of POGA	180,068	165,807
POBC contributions to POGA	28,472	28,472

Manitoba Oat Growers Association

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

5. Transactions with Related Parties - continued

In the current year, MOGA's share of POGA's net operating deficit from August 1, 2016 - March 22, 2017 is 25%; MOGA's share of POGA's net operating deficit from March 22, 2017 - July 31, 2017 is 28% (24% in the prior year annual allocation). A summary of POGA's total revenues and expenses appears below:

	2017	2016
Revenues before funding contributions:		
Grant revenues	311,685	360,259
POBC contributions	221,776	221,716
Other revenues	137,804	38,137
	<u>671,265</u>	<u>620,112</u>
Expenses:		
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	(709,182)	(680,926)
Funding contributions:		
MOGA	180,068	165,807
SaskOats	458,758	442,254
AOGC	70,356	72,865
	<u>671,265</u>	<u>620,112</u>
	<u>\$ 0</u>	<u>\$ 0</u>

6. Commitments

The organization has committed to providing funds to POGA to finance its annual membership in the Prairie Oat Breeding Consortium (anticipated to be approximately \$36,000 annually).

POGA has committed to funding certain projects, of which MOGA 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
Oats Improve the Gastrointestinal Health of Horses	<ul style="list-style-type: none"> - \$116,106 denoted in US dollars commencing August 1, 2015 and ending August 1, 2017, \$75,730 in Canadian dollars of which was expended in the current year (\$152,151 to date) - POGA is eligible for up to \$110,000, denoted in Canadian dollars, in grant funds for this project
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, \$225,143 of which was expended in the current year (\$927,203 to date) - 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

Manitoba Oat Growers Association

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

6. Commitments - continued

Project	Terms
Post Doctoral Researcher	<ul style="list-style-type: none">- \$150,000 over two years commencing April 1, 2017, \$25,000 of which was expended in the current year- POGA has received \$33,295, in funding from industry partners for this project
Development of Oat Cultivars (Oat Advantage)	<ul style="list-style-type: none">- \$20,000 annually over five years commencing April 1, 2013, with a two-year extension option, \$20,000 of which was expended in the current year (\$100,000 to date)
Occurrence and Fate of Toxigenic Fungi and their Associated Mycotoxins in Saskatchewan-grown Oats and Oat Milling Projects	<ul style="list-style-type: none">- \$311,695 over four years commencing April 2014, \$96,159 of which was expended in the current year (\$296,910 to date)- POGA is eligible for up to \$233,722 in grant funds for this project, \$76,678 of which was received in the current year (\$219,062 to date)
Transposon-Mediated Activation Tagging in Oat	<ul style="list-style-type: none">- 197,801 over four years commencing April 1, 2014, \$50,600 of which was expended in the current year (\$149,500 to date)- POGA is eligible for up to \$151,000 in grant funds for this project, \$38,737 of which was received in the current year (\$114,486 to date)
Crop Sequencing of Large Acreage Crops	<ul style="list-style-type: none">- \$32,500 commencing December 5, 2014 and ending July 20, 2020, \$10,000 of which was expended in the current year (\$22,500 to date)
Investigation of Avenanthramides	<ul style="list-style-type: none">- \$90,000 commencing December 5, 2014 and ending December 31, 2017, \$30,000 of which has been expended during the year (\$80,000 to date)
Breeding for Resistance to Leaf Blotch Pathogens in Saskatchewan Oats	<ul style="list-style-type: none">- \$45,000 commencing December 5, 2014 and ending November 15, 2017, \$15,000 of which was expended during the year (\$30,000 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, \$28,750 of which was expended in the current year- 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)

Manitoba Oat Growers Association

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

6. Commitments - continued

Project	Terms
Crown Rust Initiative	- Maximum of \$100,000 denoted in US dollars commencing October 1, 2015 and ending July 1, 2019, No payments were made in the current year (\$27,466 to date)
Mitigating Mycotoxins in the Canadian Food Value Chain	- \$40,000 plus GST, commencing March 31, 2016 and ending March 31, 2018, \$14,000 of which was expended during the year (\$28,000 to date)
Estimation of Beta Glucans Content and Yield of Seeds from Different Oat Varieties in Alberta	- \$35,500 over two years commencing April 1, 2017, \$8,875 of which was expended during the year - POGA has received \$11,000, in funding from industry partners for this project
Development of an Oat Based Beverage Rich in Dietary Fibre and Protein	- \$60,000 commencing July 1, 2016 and ending August 31, 2019, no expenses have been incurred to date
Development of the Mexican Oat Market	- \$341,000 by March 31, 2018, \$143,649 of which was expended in the current year (\$263,696 to date) - POGA is eligible for up to \$161,250 in grant funds for this project, \$73,942 of which was recognized in the current year (\$131,186 to date)
USA Marketing Campaign	- \$284,000 by March 31, 2018, \$67,476 of which was expended in the current year - POGA is eligible for up to \$143,250 in grant funds for this project, \$65,612 was recognized in the current year - POGA has received \$75,000, in funding from industry partners for this project
Grain Safety Sponsorship	- \$10,000 commencing July 19, 2016 and ending August 31, 2017, \$2,500 of which was expended during the year (\$5,000 to date)
Online Growers Manual	- \$15,000 plus an additional \$5,000 for additional costs if needed, commencing June 2, 2016 and ending July 30, 2017, no expenses have been incurred by POGA to date - POGA is eligible for up to \$10,000, in grant funds for this project
Development of Oat Research Strategy	- \$16,950 for services to occur in the fiscal 2018 year - POGA is eligible for up to \$10,000 in grant funds for this project