

Manitoba Oat Growers Association

FINANCIAL STATEMENTS

Year Ended July 31, 2018

Manitoba Oat Growers Association

Regina, Saskatchewan

July 31, 2018

(Unaudited)

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Independent Practitioners' Review Engagement Report

To the Board of Directors
Manitoba Oat Growers Association

We have reviewed the accompanying financial statements of Manitoba Oat Growers Association, that comprise the Statement of Financial Position as at July 31, 2018, 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 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.

Practitioners' Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of Manitoba Oat Growers Association as at July 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Collins Barrow PQ LLP

Collins Barrow PQ LLP

Yorkton, SK
December 5, 2018

Manitoba Oat Growers Association
 Regina, Saskatchewan
 Statement of Financial Position as at July 31, 2018
 (Unaudited)

	2018	2017
Assets		
Current Assets		
Cash and cash equivalents	186,250	141,194
Short-term investments - note 4	50,000	50,000
Accounts receivable	24,614	14,415
Accrued interest receivable	196	35
Prepaid expenses	<u>4,669</u>	<u>23,264</u>
	<u>\$ 265,729</u>	<u>\$ 228,908</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	<u>29,795</u>	<u>29,847</u>
Net Assets, Unrestricted		
Balance, beginning of year	199,061	191,720
Add: Excess of revenue over expenses for the year	<u>36,873</u>	<u>7,341</u>
Balance, end of year	<u>235,934</u>	<u>199,061</u>
	<u>\$ 265,729</u>	<u>\$ 228,908</u>

Approved on behalf of the board:



Manitoba Oat Growers Association

Statement of Operations
For the year ended July 31, 2018
(Unaudited)

	2018	2017
Revenue		
Producer fees	351,669	260,333
Less: Producer fee refunds	(14,373)	(8,033)
Investment income	537	308
	<u>337,833</u>	<u>252,608</u>
Expenses		
Annual general meeting	12,891	6,634
Board of Directors	3,175	8,075
Levy administration fees	13,722	12,808
Prairie Oat Breeding Consortium membership	18,981	28,472
Producer meetings	122	248
Proportionate expenses of POGA - note 5	241,449	180,068
General and administrative:		
Communications - promotion and website	5,139	5,421
Interest and bank charges	13	93
Memberships	1,050	1,050
Office and other administrative	250	25
Professional fees	4,168	2,373
	<u>300,960</u>	<u>245,267</u>
Excess of Revenue Over Expenses for the Year	<u>\$ 36,873</u>	<u>\$ 7,341</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, 2018
(Unaudited)

	2018	2017
Cash Provided By (Used In):		
Operations		
Excess of revenue over expenses for the year	36,873	7,341
Net change in working capital	<u>8,183</u>	<u>(22,806)</u>
Net Cash Increase (Decrease) for the Year	45,056	(15,465)
Cash position, beginning of year	<u>141,194</u>	<u>156,659</u>
Cash Position, End of Year	<u>\$ 186,250</u>	<u>\$ 141,194</u>
Represented By:		
Cash and cash equivalents	<u>\$ 186,250</u>	<u>\$ 141,194</u>
Net change in working capital consists of:		
Decrease (increase) - accounts receivable	(10,199)	12,114
- prepaid expenses	18,595	(475)
- other current assets	(161)	36
Increase (decrease) - accounts payable and accrued liabilities	<u>(52)</u>	<u>(34,481)</u>
	<u>\$ 8,183</u>	<u>\$(22,806)</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, 2018
(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, 2018
(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 1.46% per annum, maturing in October 2018.

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 in the fiscal year. The proportionate share of the actual costs attributable to each organization was determined at two points in the prior 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	2018	2017
Liabilities		
Accounts payable - Board of Director expenses	\$ 863	\$ 309
Accounts payable - POGA (underpayment of funding contributions)	23,977	25,668
Expenses		
Proportionate expenses of POGA	241,449	180,068
POBC contributions to POGA	18,981	28,472

Manitoba Oat Growers Association

Notes to Financial Statements
For the year ended July 31, 2018
(Unaudited)

5. Transactions with Related Parties - continued

In the current year, MOGA's share of POGA's net operating deficit from August 1, 2017 - July 31, 2018 is 29% (25% from August 1, 2016 - March 22, 2017 and 28% from March 22, 2017 - July 31, 2017, in the prior year annual allocation). A summary of POGA's total revenues and expenses appears below:

	2018	2017
Revenues before funding contributions:		
Grant revenues	245,562	311,685
POBC contributions	147,931	221,776
Other revenues	98,234	139,804
	<u>491,727</u>	<u>673,265</u>
Expenses:		
Research projects	469,932	564,253
Market development projects	370,814	350,604
Communications	79,605	92,362
General operating expenses	432,551	375,228
	<u>1,352,902</u>	<u>1,382,447</u>
Deficiency of Revenue over Expenses before Funding Contributions	(861,175)	(709,182)
Funding contributions:		
MOGA	241,449	180,068
SaskOats	504,400	458,758
AOGC	115,326	70,356
	<u>\$ 0</u>	<u>\$ 0</u>

6. Commitments

The organization has committed to providing funds to POGA to finance its annual funding arrangement 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
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, \$171,379 of which was expended in the current year. The initial phase of the project was completed in the current fiscal year; however, a new project agreement was signed under the above arrangement for \$1,189,750 over five years commencing April 1, 2018. No payments were made under the new arrangement in the current year. - 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 funding agreement.

Manitoba Oat Growers Association

Notes to Financial Statements
For the year ended July 31, 2018
(Unaudited)

6. Commitments - continued

Project	Terms
Post-Doctoral Researcher	<ul style="list-style-type: none">- \$112,500 over the period commencing April 1, 2017 and ending October 31, 2018; \$75,000 of which was expended in the current year (\$100,000 to date).- POGA has received \$33,295 per year in funding from industry partners for this project (\$66,590 to date).
Development of Oat Cultivars (Oat Advantage)	<ul style="list-style-type: none">- \$20,000 annually over eight years commencing April 1, 2013; \$20,000 of which was expended in the current year (\$120,000 to date).
Investigation of Avenanthramides	<ul style="list-style-type: none">- \$90,000 commencing December 5, 2014 and ending December 31, 2018. No payments were made in the current year (\$80,000 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. No payments were made in the current year (\$28,750 to date).- 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).
Crown Rust Initiative	<ul style="list-style-type: none">- Maximum of \$100,000 denoted in US dollars commencing October 1, 2015 and ending June 30, 2020. No payments were made in the current year (\$27,466 CAD to date).
Estimation of Beta Glucans Content and Yield of Seeds from Different Oat Varieties in Alberta	<ul style="list-style-type: none">- \$36,250 over two years commencing April 1, 2017; \$18,125 of which was expended during the year (\$27,000 to date).- POGA has received \$11,750 in funding from industry partners for this project this year (\$22,750 to date).
Development of an Oat-Based Beverage Rich in Dietary Fibre and Protein	<ul style="list-style-type: none">- \$60,000 commencing July 1, 2016 and ending August 31, 2019; \$45,000 of which was expended during the year (\$45,000 to date).

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Notes to Financial Statements
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(Unaudited)

6. Commitments - continued

Project	Terms
Development of the Mexican Oat Market	<ul style="list-style-type: none">- \$341,000 by March 31, 2018; \$83,659 of which was expended in the current year. The initial phase of the project was completed in the current fiscal year; however, a new agreement for this project signed in the year commencing April 1, 2018 for \$633,000 to be spent by March 31, 2021; \$59,700 of which was expended in the current year.- POGA is eligible for up to \$161,250 in grant funds for the initial phase of this project, \$32,407 of which was recognized in the current year. POGA is eligible for up to \$348,150 in grant funds for the second phase, \$32,835 of which was recognized in the current year.
Grain Safety Sponsorship	<ul style="list-style-type: none">- \$10,000 commencing July 19, 2016 and ending August 31, 2017; \$5,000 of which was expended during the year, concluding the additional agreement.- \$10,000 commencing August 1, 2018 and ending September 30, 2020. No payments were made in the current year.
Expanding the Canadian Oat Market - China Project	<ul style="list-style-type: none">- \$262,000 by March 31, 2021; \$54,827 of which was expended in the current year .- POGA is eligible for up to \$102,300 in grant funds for this project; \$17,777 is which was recognized in the current year.
Monitoring Pests and Fusarium Head Blight Risk Model	<ul style="list-style-type: none">- \$22,500 over five years commencing April 1, 2018 and ending March 31, 2023. No payments were made in the current year.