

**FINANCIAL  
STATEMENTS**

**Manitoba Oat Growers  
Association**

**Year Ended July 31, 2011**

# Manitoba Oat Growers Association

Yorkton, Saskatchewan

July 31, 2011

(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, 2011 and the Statements of Operations, Changes in Net Assets 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

**Manitoba Oat Growers Association**  
 Yorkton, Saskatchewan  
 Statement of Financial Position as at July 31, 2011  
 (Unaudited)

	2011	2010 (Note 7)
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	390,852	241,004
Accounts receivable	22,089	140,495
Prepaid expenses	<u>1,198</u>	<u>1,198</u>
	<b><u>\$ 412,941</u></b>	<b><u>\$ 382,697</u></b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	<u>137,140</u>	<u>118,072</u>
<b>Net Assets, Unrestricted</b>		
Balance, beginning of year	264,625	134,093
Add: Excess of revenue over expenses for the year	<u>11,176</u>	<u>130,532</u>
Balance, end of year	<u>275,801</u>	<u>264,625</u>
	<b><u>\$ 412,941</u></b>	<b><u>\$ 382,697</u></b>

Approved on behalf of the board:

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# Manitoba Oat Growers Association

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

	2011	2010 (Note 7)
<b>Revenue</b>		
Levy central income	299,935	340,247
Less: Producer levy refunds	( 4,458)	( 7,983)
Over-cap levy refunds	( 61,683)	( 78,572)
	<u>233,794</u>	<u>253,692</u>
<b>Expenses</b>		
Board of Directors	2,158	2,909
Levy administration fees	15,594	24,898
Prairie Oat Breeding Consortium membership	23,872	15,450
Producer meetings	3,153	3,294
Proportionate expenses of POGA - note 5	171,215	68,225
Travel	932	776
General and administrative:		
Bank charges	451	264
Communications - promotion and website	2,974	3,349
Office and other administrative	1,983	1,246
Professional fees	286	2,749
	<u>222,618</u>	<u>123,160</u>
<b>Excess of Revenue Over Expenses for the Year</b>	<u>\$ 11,176</u>	<u>\$ 130,532</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, 2011  
(Unaudited)

	2011	2010 (Note 7)
<b>Cash Provided By (Used In):</b>		
Operations		
Excess of revenue over expenses for the year	11,176	130,532
Net change in working capital	<u>138,672</u>	<u>( 13,555)</u>
<b>Net Cash Increase for the Year</b>	149,848	116,977
Cash position, beginning of year	<u>241,004</u>	<u>124,027</u>
<b>Cash Position, End of Year</b>	<u>\$ 390,852</u>	<u>\$ 241,004</u>
<b>Represented By:</b>		
Cash and cash equivalents	<u>\$ 390,852</u>	<u>\$ 241,004</u>
Net change in working capital consists of:		
Decrease (increase) - accounts receivable	118,406	( 80,402)
- prepaid expenses	1,198	14,252
Increase (decrease) - accounts payable and accrued liabilities	<u>19,068</u>	<u>52,595</u>
	<u>\$ 138,672</u>	<u>\$( 13,555)</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, 2011  
(Unaudited)

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## 1. Nature of Operations

The organization commenced operations in July 2008. Pursuant to The Manitoba Oat Growers Association Designation Regulation ("the Regulation"), under the authority of The Agricultural Producers' Organization Funding Act of Manitoba, the organization is designated as the representative organization of all producers of oats in Manitoba. The purpose of the organization is to fund oat research, market development and education.

## 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) Revenue

Under the Regulation, each producer is required to pay the organization a check-off fee of \$0.50 per tonne of oats produced in Manitoba, to a maximum of \$250 per producer per year, collected upon the marketing of the grain. 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.

### (b) 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, 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.

## Manitoba Oat Growers Association

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

### 5. 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 Manitoba Oat Growers Association (MOGA) and the Saskatchewan Oat Development Commission (SODC). The MOGA and the SODC 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	2011	2010
<b>Assets</b>			
Accounts receivable - POGA (overpayment of funding) contributions	no specific terms	\$ 0	\$ 86,280
<b>Liabilities</b>			
Accounts payable - expenses paid by POGA	no specific terms	3,684	27,178
Accounts payable - board of director expenses	no specific terms	0	1,478
Accounts payable - POGA (underpayment of funding) contributions	no specific terms	64,935	0
<b>Expenses</b>			
Proportionate expenses of POGA	no specific terms	171,215	68,225
POBC contributions to POGA	no specific terms	23,872	0

In the current year, MOGA's share of POGA's net operating expenses is 35% (29% in the prior year). A summary of POGA's total revenues and expenses appears below:

	2011	2010
<b>Revenues before funding contributions:</b>		
Grant revenues	121,350	
POBC contributions	185,895	
Other revenues	7,091	19,832
	<u>314,336</u>	<u>19,832</u>
<b>Expenses:</b>		
Research projects	487,046	
Market development projects	142,016	104,357
Expansion projects	44,024	
Communications	28,875	36,423
General operating expenses	101,906	114,824
	<u>803,867</u>	<u>255,604</u>
Deficiency of Revenue over Expenses Before Funding Contributions	<u>( 489,531)</u>	<u>( 235,772)</u>
<b>Funding contributions:</b>		
MOGA	171,215	68,225
SODC	318,316	167,547
	<u>\$ 0</u>	<u>\$ 0</u>

## Manitoba Oat Growers Association

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

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### 6. Commitments

The organization has committed to providing funds to POGA to finance its annual membership in the Prairie Oat Breeding Consortium (currently approximately \$24,000 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:

<b>Project</b>	<b>Terms</b>
Collaborative Oat Research Enterprise (CORE)	\$134,000 over three years ending March 2013 \$127,100 in US dollars over three years ending December 31, 2012 POGA is eligible for up to \$107,000 in additional funding to offset 64% of project activities (which may include the \$127,100 in US dollars as per above)
Enhanced Oat Pedigree Database (POOL)	\$14,000 over three years ending March 2013
Nationwide Oat Breeding Line Screening Network	\$80,000 over three years ending March 2013
Breeding Oat for Western Canada	\$511,000 over three years ending March 2013 POGA has partnered with other milling and oat industry organizations for contributions towards its funding commitment
Equine Feed Oat Project	Contract for public relations 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.

Subsequent to year end, POGA committed a further \$90,000 over four years commencing August 1, 2012 toward a research project relating to improving the health benefits of oat oil. Additionally, POGA has budgetted \$94,000 in support of an Equine Oat Research Advisory Board.

### 7. Comparative Figures

The financial statements for 2010 have been restated to recognize additional amounts payable of \$2,659, representing an additional \$776 in expenses for meetings attended and \$1,883 in producer meeting expenses, which were not properly accrued in the prior year. As a result, the closing net assets of the prior year has been decreased by \$2,659.