

**Saskatchewan Oat Development
Commission
operating as SaskOats**

FINANCIAL STATEMENTS

Year Ended July 31, 2022

Saskatchewan Oat Development Commission
Operating as SaskOats
Regina, Saskatchewan
July 31, 2022

Table of Contents

	Page
Independent Auditors' Report	1-2
Statement of Financial Position	3
Statement of Operations and Changes in Net Assets	4
Statement of Cash Flow	5
Notes to Financial Statements	6-12
Independent Practitioners' Reasonable Assurance Report on Internal Controls	13-14
Independent Practitioners' Reasonable Assurance Report on Compliance	15-16



Independent Auditors' Report

To the Board of Directors
Saskatchewan Oat Development Commission

Qualified Opinion

We have audited the financial statements of Saskatchewan Oat Development Commission, (the commission), which comprise the Statement of Financial Position as at July 31, 2022 and the Statements of Operations, Changes in Net Assets and Cash Flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the commission as at July 31, 2022, and results of its operations and its cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

The commission collects a check-off fee from Saskatchewan producers through buyers of oats. It was not practicable 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 and refund administration, including the establishment and monitoring of all related controls. It was not practicable for us to examine the records of this third party. Accordingly, our verification of net check-off revenue was limited to the amounts recorded in the records 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 flow of the commission.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the financial statements section of our report. We are independent of the commission in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the commission's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the commission or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the commission's financial reporting process.



Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 commission's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the commission's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the commission to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Baker Tilly SK LLP

Baker Tilly SK LLP

Yorkton, SK
November 9, 2022

Saskatchewan Oat Development Commission

Operating as SaskOats

Regina, Saskatchewan

Statement of Financial Position as at July 31, 2022

	2022	2021
Assets		
Current Assets		
Cash and cash equivalents	414,850	711,741
Short-term investments - note 4	1,137,500	1,087,500
Accounts receivable	140,945	142,832
Accrued interest receivable	4,536	1,398
	<u>4,536</u>	<u>1,398</u>
	<u>\$ 1,697,831</u>	<u>\$ 1,943,471</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	<u>46,621</u>	<u>71,879</u>
Net Assets, Unrestricted	<u>1,651,210</u>	<u>1,871,592</u>
	<u>\$ 1,697,831</u>	<u>\$ 1,943,471</u>

Approved on behalf of the board:



Saskatchewan Oat Development Commission

Operating as SaskOats

Statement of Operations and Changes in Net Assets

For the year ended July 31, 2022

	Budget (Note 8)	2022	2021
Revenue			
Producer check-off fees	446,000	522,820	812,379
Less: Producer check-off refunds	(31,220)	(33,263)	(64,453)
	<u>414,780</u>	<u>489,557</u>	<u>747,926</u>
Grants		62,660	86,260
Investment and other income	17,000	6,255	6,604
	<u>431,780</u>	<u>558,472</u>	<u>840,790</u>
Expenses			
Board of Directors	7,000	6,421	4,684
Communications - education	20,750	26,103	27,100
Levy administration fees	26,151	29,386	27,950
Policy development		8,390	
Producer meetings	9,655	9,702	1,655
Proportionate expenses of POGA - note 6	475,068	516,795	399,245
Research and development grants - note 7	115,950	171,503	186,606
General and administrative:	12,400		
Election expense		170	
Interest and bank charges		47	63
Memberships		2,400	2,350
Office and other administrative			48
Professional fees		7,937	7,548
	<u>666,974</u>	<u>778,854</u>	<u>657,249</u>
Excess (Deficiency) of Revenue Over Expenses for the Year	<u>\$(235,194)</u>	(220,382)	183,541
Net Assets, Beginning of the Year		<u>1,871,592</u>	<u>1,688,051</u>
Net Assets, End of the Year		<u>\$ 1,651,210</u>	<u>\$ 1,871,592</u>

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

Saskatchewan Oat Development Commission

Operating as SaskOats

Statement of Cash Flow

For the year ended July 31, 2022

	2022	2021
Cash Provided By (Used In):		
Operations		
Excess (deficiency) of revenue over expenses for the year	(220,382)	183,541
Net change in working capital	<u>(26,509)</u>	<u>(9,476)</u>
	<u>(246,891)</u>	<u>174,065</u>
Investing activities		
Additions to short-term investments	(1,137,500)	(1,087,500)
Proceeds on disposal of short-term investments	<u>1,087,500</u>	<u>1,087,500</u>
	<u>(50,000)</u>	<u>0</u>
Net Cash Increase (Decrease) for the Year	(296,891)	174,065
Cash position, beginning of year	<u>711,741</u>	<u>537,676</u>
Cash Position, End of Year	<u>\$ 414,850</u>	<u>\$ 711,741</u>
Represented By:		
Cash and cash equivalents	<u>\$ 414,850</u>	<u>\$ 711,741</u>
Net change in working capital consists of:		
Decrease (increase) - accounts receivable	1,887	(23,556)
- prepaid expenses		5,950
- other current assets	(3,138)	10,257
Increase (decrease) - accounts payable and accrued liabilities	(25,258)	16,497
- other current liabilities		<u>(18,624)</u>
	<u>\$(26,509)</u>	<u>\$(9,476)</u>

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

Saskatchewan Oat Development Commission

Operating as SaskOats

Notes to Financial Statements
For the year ended July 31, 2022

1. Nature of Operations

The organization was formed on April 12, 2006 pursuant to The Oat Development Plan Regulations, under the authority of The Agri-Food Act, 2004. The Saskatchewan Oat Development Commission, which operates under the name SaskOats, develops 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. 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) Capital assets

Capital assets are recorded at cost less accumulated amortization.

The assets are amortized until the value has diminished using the following methods and rates:

	Method of Amortization	Rate of Amortization
Furniture, fixtures and equipment	straight-line	3 years

In the year of acquisition, capital assets are amortized starting in the month of acquisition.

In the year of disposition, capital assets are amortized until the month of disposition.

(c) Revenue

Under The Regulation, each producer is required to pay the organization a check-off fee of \$0.50 per tonne of oats grown in Saskatchewan, collected upon the purchasing of the grain from the producer. 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.

Grant revenues are recognized when the criteria for earning the funding has been met. The organization uses the deferral method of revenue recognition for grant revenues.

Investment revenues are recognized on an accrual basis as the income is earned.

Saskatchewan Oat Development Commission

Operating as SaskOats

Notes to Financial Statements
For the year ended July 31, 2022

2. Significant Accounting Policies - continued

(d) 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 no 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.

(e) 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.

Significant estimates have been made in the following financial statement areas:

- expected service lives of capital assets
- grant revenues are recognized when management determines that the criteria for earning the funding has been met; however, the final determination of the qualification of expenses for funding commitments is determined by the granting body

3. Risks Arising from Financial Instruments

The organization is exposed to various risks through its financial instruments. The following analysis presents the organization's risk exposure and concentrations at the reporting date.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The organization is exposed to fair value risk on its fixed interest rate financial instruments.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The organization is exposed to other price risk from its investments.

Saskatchewan Oat Development Commission

Operating as SaskOats

Notes to Financial Statements
For the year ended July 31, 2022

	2022	2021
4. Short-Term Investments		
Description - GICs maturing within 6 months of year end		
Measurement basis - amortized cost		
Significant terms - rates 0.40- 0.95% (2021 - 0.15% - 0.50%)	787,500	637,500
Description - GICs maturing within 6 to 12 months of year end		
Measurement basis - amortized cost		
Significant terms - rate 2.50% (2021 - 0.40%)	<u>350,000</u>	<u>450,000</u>
	<u>\$ 1,137,500</u>	<u>\$ 1,087,500</u>

	Cost	Accumulated Amortization	Net Book Value 2022	Net Book Value 2021
5. Capital Assets				
Furniture, fixtures and equipment	<u>\$ 1,781</u>	<u>\$ 1,781</u>	<u>\$ 0</u>	<u>\$ 0</u>

6. 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.

Related party balances bear no specific terms of repayment. Related party transactions and balances included in the financial statements are as follows:

	2022	2021
Financial Statement Accounts		
Assets		
Accounts receivable - POGA (overpayment of funding contributions)	\$ 95,205	\$ 64,755
Expenses		
Proportionate expenses of POGA	516,795	399,245

Saskatchewan Oat Development Commission

Operating as SaskOats

Notes to Financial Statements
For the year ended July 31, 2022

6. Transactions with Related Parties - continued

In the current year, SaskOats contributed \$41,966 to POGA's Japan project as agreed (\$32,411 to POGA's Japan project in 2021) in addition to its current year share of POGA's net operating deficit, as per below. A summary of POGA's total revenues and expenses appears below:

	2022	2021
Revenues before funding contributions:		
Grant revenues	366,832	267,096
POBC contributions	237,954	237,954
Other revenues	4,615	6,159
	<u>609,401</u>	<u>511,209</u>
Expenses:		
Research projects	389,505	418,514
Market development projects	589,649	461,051
Communications expenses	111,491	91,747
Policy	22,050	16,800
General operating expenses	453,790	249,424
	<u>1,566,485</u>	<u>1,237,536</u>
Deficiency of revenue over expenses before funding contributions	(957,084)	(726,327)
Funding contributions as originally recognized:		
MOGA	282,487	222,107
SaskOats	516,795	399,245
AOGC	157,802	104,975
	<u>957,084</u>	<u>726,327</u>
Surplus after Funding Contributions	<u>\$ 0</u>	<u>\$ 0</u>

7. Commitments and Projects

The organization has committed to budget a maximum of \$15,000 per growing year on an ongoing basis to post registration variety performance trials by the Saskatchewan Variety Performance Group. Actual costs are determined and invoiced annually. The current year's \$14,630 expense is included in research and development grant expenses.

In 2018, the organization committed to providing a total of \$30,000 to the Northeast Agriculture Research Foundation (NARF), commencing May 1, 2018 and ending in November 2021, for a research project entitled, "Improved Integrated Disease Management for Oats in Saskatchewan". \$10,000 was recognized as an expense in the current year to complete the project (\$30,000 to date).

In 2019, the organization entered into an agreement with the University of Saskatchewan to provide semi-annual payments of \$37,500 on April 1 and October 1 for the five-year period commencing April 1, 2019 and ending March 31, 2024 for an oat breeding research project at the University. The total project commitment is \$375,000. Two payments of \$37,500, for a total of \$75,000, is included in research and development grant expenses (\$262,500 to date).

In 2021, the organization applied for two ADOPT grants on behalf of Agri-arm locations across the province for the research period, commencing March 2, 2021 and ending February 15, 2022. The organization received and disbursed the final \$7,620 for the project entitled "Which Oat Varieties Hold it Together when the Going Gets Tough" (total project \$38,100) and the final \$7,500 for the project entitled, "Are Oats Responding to Higher Levels of Macronutrients" (total project \$40,000, \$5,000 of which was contributed by a contribution by Fertilizer Canada). These expenses are included in research and development grant expenses.

Saskatchewan Oat Development Commission

Operating as SaskOats

Notes to Financial Statements
For the year ended July 31, 2022

7. Commitments and Projects - continued

In 2021, the organization committed to the University of Saskatchewan funding of \$4,000 towards a project entitled "Collecting the carbon data needed for Climate-Smart agriculture in Saskatchewan", commencing December 15, 2020 and ending May 15, 2025. \$1,000 was paid during the year and is included in research and development costs (\$2,000 to date).

In 2021, the organization committed \$9,000 to Agriculture and Agri-Food Canada for a project entitled "Stimulating Germination of Wild Oat and Volunteer Cereals (Wheat, Barley and Oats) from the Soil Seed Bank", commencing April 1, 2021 and ending March 31, 2022. \$2,250 was recognized as an expense and included in research and development expenses for the year (\$9,000 to date). This commitment was completed in the year.

In 2021, the organization committed \$15,000 to Agriculture and Agri-Food Canada for a project entitled "Intercropping Pea with Canola or Oat: Impact in Nitrogen, Disease and Economics," commencing December 15, 2020 and ending October 15, 2024. \$5,000 was recognized as an expense and included in research and development expenses for the year (\$10,000 to date).

In 2022, the organization applied for two ADOPT grants on-behalf of the Agri-arm locations across the province for research periods commencing April 1, 2022 and ending February 1, 2023 and commencing April 1, 2022 and ending February 28, 2022 respectively. The organization received and disbursed \$15,540 for the project entitled "4R Management: Right Rate and Placement for Fertilizer in Oats" (total project \$18,800, \$5,000 of which is contributed by Fertilizer Canada) and \$32,000 for the project entitled " Resubmission: Are Oats Responding to Higher Levels of Macronutrients". These expenses are included in research and development grants.

The organization has entered into an agreement for levy administration fees for the following fiscal year totaling \$23,428.

POGA has committed to funding certain projects, of which SaskOats will provide proportionate funding based on the overall cost-sharing formula as agreed upon between the parties as detailed in note 6. POGA's commitments are as follows:

Project	Terms
Developing New Strategies to Efficiently Utilize Oat Grains in High Production Dairy Cows	- \$228,290 commencing September 2, 2017 and ending August 30, 2023. \$35,680 was expended in the current year (\$218,290 to date).
Developing Superior Oat Cultivars and Prairie Oat Breeding Consortium	- \$1,189,750 over five years commencing April 1, 2018, \$237,950 of which was expended in the current year (\$951,800 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 funding agreement.
Development of the Mexican Oat Market	- \$471,000 commencing April 1, 2021 to be spent by March 31, 2023; \$246,504 was expended during the current year (\$330,176 to date). - POGA is eligible for up to \$259,050 in grant funds for the project \$134,610 of which was recognized in the current year (\$181,597 to date).

Saskatchewan Oat Development Commission

Operating as SaskOats

Notes to Financial Statements
For the year ended July 31, 2022

7. Commitments and Projects - continued

Project	Terms
Development of the Japanese Oat Market	<ul style="list-style-type: none">- \$166,800 commencing April 1, 2021 to be spent by March 31, 2023; \$85,189 was expended in the current year (\$107,233 to date).- POGA is eligible for up to \$91,740 in grant funds for this project, \$46,667 of which was recognized in the current year (\$58,978 to date).
Canadian Oats Everyday	<ul style="list-style-type: none">- \$120,000 commencing April 1, 2021 to be spent by March 31, 2023; \$71,111 was expended in the current year (\$93,367 to date). An additional \$270,000 was committed commencing July 1, 2021 to be spent by December 31, 2022; \$163,146 was expended in the current year (\$163,146 to date).- POGA is eligible for up to \$132,000 in grant funds for this project, relating to the initial commitment, \$24,345 of which was recognized in the current year (\$42,258 to date). Additional funding of \$145,800 was approved as of July 1, 2022, \$88,099 of which was recognized in the current year (\$88,099 to date).
Impact of Particle Size on Pulse Oat & Flours	<ul style="list-style-type: none">- \$30,000 commencing December 12, 2018 through January 13, 2023. There were no expenses in the current year (\$26,250 to date).
Markers Linked to Oat Crown Rust Resistance	<ul style="list-style-type: none">- \$40,000 committed through December 12, 2018 to July 1, 2023. \$10,000 was recognized as an expense in the current year (\$30,000 to date).
Revising the Crop Nutrient Uptake and Removal Guidelines for Western Canada	<ul style="list-style-type: none">- \$5,003 commencing December 11, 2020 through December 31, 2022, with an initial payment of \$2,503 in December 2020, followed by payments of \$1,875 in December 2021 and \$625 in December 2022. \$1,875 was recognized as an expense during the current year (\$4,378 to date).
Continued Studies on Intercropping	<ul style="list-style-type: none">- \$10,000 commencing April 1, 2021 through March 31, 2025, with annual payments of \$2,500. \$2,500 was recognized as an expense during the current year (\$5,000 to date).
Oat Advantage	<ul style="list-style-type: none">- \$35,000 per year commitment commencing August 1, 2021 through July 31, 2026. \$35,000 was recognized as an expense during the current year (\$35,000 to date).

Saskatchewan Oat Development Commission

Operating as SaskOats

Notes to Financial Statements
For the year ended July 31, 2022

7. Commitments and Projects - continued

Project	Terms
Development of a Nutritionally Enhanced Plant-Based Milk Alternative Beverage	- \$30,000 commencing August 1, 2021 and ending July 31, 2023; \$15,000 was expended in the current year (\$15,000 to date).
Oat Lodging	- \$15,000 commencing January 5, 2022 through June 1, 2025. \$3,750 was recognized in the current year (\$3,750 to date).
AB Variety Trials, including Estimation of Beta Glucans Content and Yield of Seed from Different Oat Varieties in Alberta	- \$53,250 payable in six semi-annual installments of \$8,875 as specific requirements are completed commencing April 1, 2022. Amounts expended in the current year total \$8,875 (\$8,875 to date). Funding of \$7,500 has been received from industry partners.
Development of Healthy Food Products	- \$30,000 commencing September 2022 through May 31, 2024. No expenses have been recognized to date with regards to this commitment.
Fact Sheets	- \$12,000 to be paid upon completion of specific requirements.

8. Budget

The figures shown under the "Budget" column in the statement of operations are provided for information purposes only.