

**Saskatchewan Oat Development
Commission
operating as SaskOats**

FINANCIAL STATEMENTS

Year Ended July 31, 2023

Saskatchewan Oat Development Commission
operating as SaskOats
Regina, Saskatchewan
July 31, 2023

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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 organization), which comprise the Statement of Financial Position as at July 31, 2023 and the Statements of Operations and 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 organization as at July 31, 2023, 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 organization 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 organization'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 organization or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the organization'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 organization'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 organization'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 organization 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 14, 2023

Saskatchewan Oat Development Commission
operating as SaskOats
Regina, Saskatchewan
Statement of Financial Position as at July 31, 2023

	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	437,099	414,850
Short-term investments - note 4	1,137,500	1,137,500
Accounts receivable	170,683	140,945
Accrued interest receivable	26,734	4,536
Prepaid expenses	500	
	<u>\$ 1,772,516</u>	<u>\$ 1,697,831</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	60,593	46,621
Net Assets, Unrestricted	<u>1,711,923</u>	<u>1,651,210</u>
	<u>\$ 1,772,516</u>	<u>\$ 1,697,831</u>

Approved on behalf of the board:



Saskatchewan Oat Development Commission
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Statement of Operations and Changes in Net Assets
For the year ended July 31, 2023

	Budget (Note 7)	2023	2022
Revenue			
Producer check-off fees	765,000	778,871	522,820
Less: Producer check-off refunds	<u>53,550</u>	<u>48,383</u>	<u>33,263</u>
	711,450	730,488	489,557
Grants		26,300	62,660
Investment and other income	<u>6,000</u>	<u>37,552</u>	<u>6,255</u>
	<u>717,450</u>	<u>794,340</u>	<u>558,472</u>
Expenses			
Board of Directors	6,000	8,148	6,421
Communications - education	35,375	32,673	26,103
Grants for capital purchases		8,500	
Levy administration fees	23,428	26,080	29,386
Policy development		6,000	8,390
Producer meetings	11,545	12,890	9,702
Proportionate expenses of POGA - note 5	500,490	496,658	516,795
Research and development grants - note 6	110,200	130,894	171,503
General and administrative:	13,150		
Election expense			170
Interest and bank charges		69	47
Memberships		1,900	2,400
Office and other administrative		1,268	
Professional fees		<u>8,547</u>	<u>7,937</u>
	<u>700,188</u>	<u>733,627</u>	<u>778,854</u>
Excess (Deficiency) of Revenue Over Expenses for the Year	<u>\$ 17,262</u>	60,713	(220,382)
Net Assets, Beginning of the Year		<u>1,651,210</u>	<u>1,871,592</u>
Net Assets, End of the Year		<u>\$ 1,711,923</u>	<u>\$ 1,651,210</u>

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

Saskatchewan Oat Development Commission

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Statement of Cash Flow

For the year ended July 31, 2023

	2023	2022
Cash Provided By (Used In):		
Operations		
Excess (deficiency) of revenue over expenses for the year	60,713	(220,382)
Net change in working capital	<u>(38,464)</u>	<u>(26,510)</u>
	<u>22,249</u>	<u>(246,892)</u>
Investing activities		
Additions to short-term investments	(1,287,500)	(1,137,500)
Proceeds on disposal of short-term investments	<u>1,287,500</u>	<u>1,087,500</u>
	<u>0</u>	<u>(50,000)</u>
Net Cash Increase (Decrease) for the Year	22,249	(296,892)
Cash position, beginning of year	<u>414,850</u>	<u>711,742</u>
Cash Position, End of Year	<u>\$ 437,099</u>	<u>\$ 414,850</u>
Represented By:		
Cash and cash equivalents	<u>\$ 437,099</u>	<u>\$ 414,850</u>
Net change in working capital consists of:		
Decrease (increase) - accounts receivable	(29,738)	1,887
- prepaid expenses	(500)	
- other current assets	(22,198)	(3,138)
Increase (decrease) - accounts payable and accrued liabilities	<u>13,972</u>	<u>(25,259)</u>
	<u>\$(38,464)</u>	<u>\$(26,510)</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, 2023

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 (ASNFPPO) 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.

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Notes to Financial Statements
For the year ended July 31, 2023

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:

- 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.

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Notes to Financial Statements
For the year ended July 31, 2023

	2023	2022
4. Short-Term Investments		
Description - GICs maturing within 6 months of year end		
Measurement basis - amortized cost		
Significant terms - rates 4.00% - 4.83% (2022 - 0.40% - 0.95%)	637,500	787,500
Description - GICs maturing within 6 to 12 months of year end		
Measurement basis - amortized cost		
Significant terms - rate 4.36% - 4.97% (2022 - 2.50%)	<u>500,000</u>	<u>350,000</u>
	<u>\$ 1,137,500</u>	<u>\$ 1,137,500</u>

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.

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	2023	2022
Assets		
Accounts receivable - POGA (overpayment of funding contributions)	\$ 68,842	\$ 95,205
Expenses		
Proportionate expenses of POGA	496,658	516,795

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Notes to Financial Statements
For the year ended July 31, 2023

5. Transactions with Related Parties - continued

In the current year, SaskOats contributed \$45,468 to POGA's Japan project as agreed (\$41,966 in 2022) 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:

	2023	2022
Revenues before funding contributions:		
Grant revenues	285,842	304,923
POBC contributions	158,636	237,954
Other revenues	86,025	66,524
	<u>530,503</u>	<u>609,401</u>
Expenses:		
Research projects	350,075	389,505
Market development projects	561,259	589,649
Communications expenses	107,242	111,491
Policy	15,893	22,050
General operating expenses	414,420	453,790
	<u>1,448,889</u>	<u>1,566,485</u>
Deficiency of revenue over expenses before funding contributions	(918,386)	(957,084)
Funding contributions as originally recognized:		
MOGA	272,215	282,487
SaskOats	496,658	516,795
AOGC	149,513	157,802
	<u>\$ 0</u>	<u>\$ 0</u>

6. Commitments and Projects

In 2022, the organization committed to budget a maximum of \$20,000 per growing year for three years to post registration variety performance trials by the Saskatchewan Variety Performance Group. Actual costs are determined and invoiced annually. The current year's \$16,294 expense is included in research and development grant expenses.

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 (\$337,500 to date).

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 grant expenses (\$3,000 to date).

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. \$4,000 was recognized as an expense and included in research and development grant expenses for the year (\$14,000 to date).

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Notes to Financial Statements
For the year ended July 31, 2023

6. Commitments and Projects - continued

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 the final \$3,260 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 final \$8,000 for the project entitled " Resubmission: Are Oats Responding to Higher Levels of Macronutrients" (total project \$40,000). These expenses are included in research and development grant expenses. These contracts were completed in the current year.

In 2023, the organization applied for an ADOPT grant on-behalf of two Agri-arm locations across the province for research periods commencing April 1, 2023 and ending February 1, 2024. The organization received and disbursed \$15,040 for the project entitled "4R Management: Right Rate and Placement for Fertilizer in Oats". These expenses are included in research and development grant expenses.

In 2023, the organization committed to fund \$10,000, as well as the costs of additional testing requirements, for a project entitled "Oat N Response, a joint project between East Central Research Foundation, Northeast Agriculture Research Foundation, Conservation Learning Centre and Irrigation Crop Diversification Centre. The project commenced on April 1, 2023 and ends February 28, 2024. \$8,000 was recognized as an expense and included in research and development grant expenses.

The organization has entered into an agreement for levy administration fees for the following fiscal year totaling \$25,654.

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 5. POGA's commitments are as follows:

Project	Terms
Impact of Particle Size on Pulse Oat & Flours	- \$30,000 commencing December 12, 2018 through March 1, 2024. There were no expenses in the current year (\$26,250 to date).
Continued Studies on Intercropping	- \$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 (\$7,500 to date).
Oat Advantage	- \$35,000 per year commitment commencing August 1, 2021 through July 31, 2026. \$35,000 was recognized as an expense during the current year (\$70,000 to date).
Development of a Nutritionally Enhanced Plant-Based Milk Alternative Beverage	- \$30,000 commencing August 1, 2021 and ending July 31, 2024; \$7,500 was expended in the current year (\$22,500 to date).

Saskatchewan Oat Development Commission

operating as SaskOats

Notes to Financial Statements

For the year ended July 31, 2023

6. Commitments and Projects - continued

Project	Terms
Oat Lodging	- \$15,000 commencing January 5, 2022 through June 1, 2025. \$3,750 was recognized in the current year (\$7,500 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 \$17,750 (\$26,625 to date).
Development of Healthy Food Products	- \$30,000 commencing September 2022 through May 31, 2024. Amounts expended in the current year total \$25,000 (\$25,000 to date).
Insect response to Climate Change and Ag-Inputs Across the Prairies	- \$2,500 commencing April 2023 through November 2028. No expenses have been recognized to date.
The Prairie Crop Disease Monitoring Network: Fostering Further Network Development	- \$5,000 commencing June 2023 through May 2028. No expenses have been recognized to date.
Dissecting the Association of Flowering Time and Yield in Oats	- \$56,250 commencing June 2023 through May 2026. No expenses have been recognized to date.
Dried Oat Oil Emulsion Powders Stabilized by Oat Hull-Derived Nanocellulose	- \$10,000 commencing October 2023 through June 2024. No expenses have been recognized to date.

7. Budget

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