

WESTERN GRAINS  
RESEARCH FOUNDATION  
**ANNUAL REPORT**

**20  
18**

**MOVING  
OUR VISION  
FORWARD**





# VISION & MISSION

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**VISION:** Profitable and sustainable western Canadian grain farmers.

**MISSION:** Producers directing investments into crop research to benefit western Canadian grain farmers.

**FARMER FUNDED**  
**FARMER DIRECTED**

FIELD CROP RESEARCH FOR  
WESTERN CANADIAN FARMERS

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# LARGEST PRODUCER FUNDER

OF CROP RESEARCH IN CANADA

## FOUNDATION OVERVIEW

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The Western Grains Research Foundation (WGRF) is a farmer-funded and farmer-directed non-profit organization investing in agricultural research that benefits western Canadian producers. To date, we have invested more than \$183 million to support diverse crop research projects.



**\$183**  
million+

invested in research since 1981

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SCHOLARSHIPS

\$600,000

AWARDED IN SCHOLARSHIPS TO ATTRACT THE BRIGHTEST MINDS IN CROP RESEARCH SINCE 2011



RESEARCH



146

CURRENT RESEARCH PROJECTS & ACTIVITIES



RESEARCH CONDUCTED ON

15

CROPS



OVER

100

RESEARCHERS FUNDED

INVESTED AT MORE THAN



20

DIFFERENT RESEARCH INSTITUTIONS

VARIETIES DEVELOPED

270



NEW WHEAT AND BARLEY VARIETIES DEVELOPED SINCE 1995

SUCCESSFUL PROGRAMS

10 YRS



FUNDING MIDGE TOLERANT WHEAT STEWARDSHIP

WGRF BOARD HAS GIVEN PRODUCERS A VOICE IN FUNDING AGRICULTURE RESEARCH SINCE

1981



**TERRY YOUNG**  
Board Chair, WGRF

## CHAIR MESSAGE

### It is my pleasure to present the 2018 Western Grains Research Foundation (WGRF) Annual Report.

Our mission is *'producers directing investments into crop research to benefit western Canadian grain farmers.'* With investments of more than \$14 million in 2018, we remain the largest producer funder of crop research in Canada.

WGRF continues to focus on multi-crop agronomy research by directing funds to projects for the major crops (i.e., canola, wheat, barley, pea and lentil) that emphasize whole-farm sustainability, resiliency and efficiency of crop production systems. A prime example is the successful development of a National Integrated Crop Agronomy Cluster (ICAC). ICAC consists of eight research activities ranging from pest management to herbicide resistance and climate change adaptation. The cluster addresses a significant gap in agronomic research and will help farmers respond to challenges that cut across multiple crops.

As a producer-directed organization, we want to ensure everyone has an opportunity to speak up. Insights gleaned from a recent survey of WGRF member organizations, directors, staff and external stakeholders provided valuable input into two strategic planning sessions held by the Board in November 2018. The survey enabled us to hear from our stakeholders on the past and future of WGRF. I'm pleased to announce the results showed strong support for WGRF moving forward.

**“With investments of more than \$14 million in 2018, we remain the largest producer funder of crop research in Canada.”**

INVESTMENT OF

**\$14**

**million+**  
in 2018



**“The Board approved up to \$20 million in funding for the second phase of strategic investments in crop-related research capacity in Western Canada.”**

As we look ahead, the Board is developing plans for WGRF to continue its leadership position in research funding. We are reviewing our research priorities with an emphasis on continued support for all crops of importance to western Canadian grain farmers. WGRF is also committed to leading the initiative to expand research capacity in Western Canada. As such, the Board approved up to \$20 million in funding for the second phase of strategic investments in this area. We look forward to sharing the details of this program in 2019.

Technology transfer is critical to conveying WGRF project findings to agronomists and producers. As we continually look for opportunities to enhance extension/technology transfer tools and events, we are excited to be a founding sponsor of [CanadianAgronomist.ca](http://CanadianAgronomist.ca) — a unique website that is translating research into knowledge that agronomists and farmers can use to grow better crops.

I am proud to have served as WGRF Board Chair this past year. I would like to thank all of the dedicated directors who sit on the Board; their expertise, experience and passion for agriculture research is a real strength for WGRF.

*Terry S. Young*

**TERRY YOUNG**  
Board Chair





**GARTH PATTERSON**

M.Sc., PAg  
Executive Director, WGRF

# EXECUTIVE DIRECTOR MESSAGE

**Western Canadian, multi-crop focused and independent – these are unique strengths that enable WGRF to lead research funding for cross-cutting issues affecting western Canadian cropping systems.**

We remain committed to a collaborative approach to research in a science-based, competitive funding process. Through provincial funding calls in 2018, WGRF reviewed applications that included multi-crop research (i.e., inclusive of major crops) as well as research on intermediate crops (i.e., corn, soybean, faba bean, sunflower, mustard, canaryseed, oat, flax and winter cereals).

WGRF led and administered a significant initiative that wrapped up in 2018. The \$25 million Growing Forward 2 (GF2) National Wheat Improvement Program (Wheat Cluster) resulted in 50 projects facilitated by 32 researchers across the country. A total of 61 new wheat varieties were developed. Detailed results of the Wheat Cluster are highlighted in *'The Harvest,'* a comprehensive document created by WGRF that is a collection of articles showcasing the breeders, advancements and outcomes.

The \$11 million GF2 Barley Cluster was also completed in 2018. It resulted in nine new varieties being supported for registration as well as agronomy, pathology and value-add projects.

The Canadian Agricultural Partnership (CAP) was announced in 2018 as the federal program to replace GF2. Under CAP, WGRF is leading the Integrated Crop Agronomy Cluster (ICAC) and participating in the Clusters for Wheat, Barley,



Organic and Diverse Field Crops. The new program is a great way to leverage producer investment. WGRF is investing more than \$6.4 million in the five agri-science Clusters, including 44 new research activities focused on agronomic research across multiple crops, organic production, emerging crops, and wheat and barley.

For the past three years we have featured some of our projects in an annual *WGRF Research Review Magazine*. We are pleased to announce that the 2018 edition was named as a finalist in the 'Company and Association Magazine' category at the Canadian Agri-Marketing Association (CAMA) Awards. The Field Heroes initiative, which WGRF has supported since 2017, was also a finalist in two CAMA categories. The campaign has been very successful in generating conversations around beneficial insects.

**“WGRF is leading the Integrated Crop Agronomy Cluster (ICAC) and participating in the Clusters for Wheat, Barley Organic and Diverse Field Crops. The new program is a great way to leverage producer investment.”**

I encourage you to check out the other projects we have supported. Our website has an extensive listing of research projects, objectives and results that are easily searchable. More than 455 WGRF-funded research projects are now listed at [westerngrains.com](http://westerngrains.com) in a user-friendly, searchable format. We are working to continually improve the project listing section including adding reader-friendly project summaries to keep producers and stakeholders updated on our research commitments.

We are fortunate to have very capable staff and dedicated Board Members at WGRF. I want to express my sincere appreciation to each of them for their dedication and contributions to WGRF.



**GARTH PATTERSON**  
Executive Director

# AGRI-SCIENCE CLUSTER FUNDING

RESEARCH & TECHNOLOGY  
TRANSFER ACTIVITIES **44**

**\$6.4 million**

INVESTED IN FIVE NEW  
AGRI-SCIENCE CLUSTERS



CANADIAN  
WHEAT CLUSTER  
**\$2,500,000**



INTEGRATED CROP  
AGRONOMY CLUSTER  
**\$1,600,000**



DIVERSE FIELD  
CROPS CLUSTER  
**\$1,000,000**



NATIONAL BARLEY  
RESEARCH CLUSTER  
**\$740,000**



ORGANIC SCIENCE  
CLUSTER III  
**\$675,000**

# 2018 BOARD OF DIRECTORS

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## **TERRY YOUNG**

Lacombe, AB – Chair

## **JASON SKOTHEIM**

Spruce Home, SK – Vice Chair

## **BOB RUGG**

Elstow, SK

## **COREY LOESSIN**

Radisson, SK

## **DALE HICKS**

Outlook, SK

## **DAN DANIELSON**

Eston, SK

## **DAVE SEFTON**

Broadview, SK

## **DR. KEITH DEGENHARDT**

Hughenden, AB

## **ERNEST WIEBE**

Fort St. John, BC

## **GERRY HERTZ**

Edenwold, SK

## **JEFF NIELSEN**

Olds, AB

## **KENTON POSSBERG**

Humboldt, SK

## **RAURI QUALLY**

Dacotah, MB

## **SIMON ELLIS**

Wawanesa, MB

## **STEWART WELLS**

Swift Current, SK

## **TERRY JAMES**

Vegreville, AB

## **TODD LEWIS**

Regina, SK

## **WADE HAINSTOCK**

Moose Jaw, SK

# WGFR MEMBER ORGANIZATIONS

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The WGFR Bylaws allow three classes of Members: A, B and C. Class A is for producer organizations while Classes B and C are for government and industry organizations, respectively.

## **CLASS A MEMBERS**

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Agricultural Producers Association of Saskatchewan

Alberta Barley

Alberta Federation of Agriculture

Alberta Wheat Commission

BC Grain Producers Association

Canadian Canola Growers Association

Canadian Seed Growers' Association

Keystone Agricultural Producers

Manitoba Wheat and Barley Growers Association

National Farmers Union

Prairie Oat Growers Association

Saskatchewan Barley Development Commission

Saskatchewan Flax Development Commission

Saskatchewan Wheat Development Commission

Western Barley Growers Association

Western Canadian Wheat Growers Association

Western Pulse Growers

Western Winter Cereal Producers

## **CLASS B MEMBER**

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Agriculture and Agri-Food Canada

# WGRF STAFF



**GARTH PATTERSON**

M.Sc., PAg  
Executive Director



**MIKE ESPEETH**

B.Comm  
Communications Manager



**PAT FLATEN**

M.Sc., PAg  
Research Program Manager



**CANDICE LAJEUNESSE**

Research Program Administrator



**BARBARA KAMMERER**

CPA, CMA  
Finance Manager



**JOELLE HARRIS**

B.S.A., PAg  
Research Program Manager



**GORD ANDROSOFF**

M.Sc., PAg  
Research Program Manager

# LISTING OF THE PROJECTS COMMENCING IN 2018

BELOW IS A LISTING OF THE 51 PROJECTS STARTING IN 2018 FOR WHICH WGRF APPROVED FUNDING:

| RESEARCHER                       | INSTITUTION                                               | LENGTH  | AMOUNT      | RESEARCH PROJECT TITLE                                                                                                          |
|----------------------------------|-----------------------------------------------------------|---------|-------------|---------------------------------------------------------------------------------------------------------------------------------|
| Aaron Beattie                    | University of Saskatchewan                                | 1 year  | \$106,015   | Oat breeding                                                                                                                    |
| Alejandro Costamagna             | University of Manitoba                                    | 5 years | \$35,000    | Pyramiding oviposition deterrence and <i>Sm1</i> to control wheat midge                                                         |
| Angela Bedard-Haughn             | University of Saskatchewan                                | 2 years | \$118,038   | SKSIS-2: Enhanced Saskatchewan soil information for sustainable land management, phase 2                                        |
| Anita Brûlé-Babel                | University of Manitoba                                    | 5 years | \$100,000   | Winter wheat breeding and germplasm development for disease resistance                                                          |
| Anita Brûlé-Babel                | University of Manitoba                                    | 1 year  | \$22,940    | Enhancing <i>Fusarium</i> head blight (FHB) screening capacity for breeding and research                                        |
| Bifang Cheng                     | Agriculture & Agri-Food Canada                            | 5 years | \$488,750   | Germplasm and variety development of condiment mustard for improved yield and quality                                           |
| Brian Beres                      | Agriculture & Agri-Food Canada                            | 5 years | \$328,494   | Delivery of an innovative winter wheat agronomic package to achieve sustainable wheat production in the Canadian Prairies       |
| Bryan Cassone                    | University of Brandon                                     | 3 years | \$39,273    | Improved integrative pest management of wireworm in Manitoba                                                                    |
| Charles Geddes                   | Agriculture & Agri-Food Canada                            | 5 years | \$339,776   | Management of glyphosate-resistant kochia in western Canadian cropping systems                                                  |
| Christian Willenborg             | University of Saskatchewan                                | 3 years | \$181,748   | Accelerated crop production systems for Saskatchewan                                                                            |
| Colin Hiebert                    | Agriculture & Agri-Food Canada                            | 5 years | \$30,000    | Pre-breeding and development of breeding tools to diversify disease resistance in bread wheat                                   |
| Darcelle Graham                  | National Sunflower Association of Canada                  | 5 years | \$320,650   | Development of long-type confection sunflower hybrids                                                                           |
| Diane Knight                     | University of Saskatchewan                                | 4 years | \$173,766   | Biological nitrogen fixation in short-season soybean varieties for Saskatchewan                                                 |
| Dilantha Fernando and Xiben Wang | University of Manitoba and Agriculture & Agri-Food Canada | 5 years | \$1,004,704 | The population structure of <i>Fusarium</i> pathogens of small grain cereals, their distribution and relationship to mycotoxins |
| Elwin Smith and Danny Leroy      | University of Lethbridge                                  | 4 years | \$180,096   | Economic value of diversified cropping systems                                                                                  |
| Harpinder Randhawa               | Agriculture & Agri-Food Canada                            | 5 years | \$188,545   | Development of Canada Prairie Spring Red (CPSR) cultivars for Western Canada                                                    |
| Harpinder Randhawa               | Agriculture & Agri-Food Canada                            | 5 years | \$150,000   | Development of field-ready cultivars of Canada Western Soft White Spring (CWSWS) wheat                                          |

| RESEARCHER        | INSTITUTION                                | LENGTH  | AMOUNT    | RESEARCH PROJECT TITLE                                                                                                                                |
|-------------------|--------------------------------------------|---------|-----------|-------------------------------------------------------------------------------------------------------------------------------------------------------|
| Helen Booker      | University of Saskatchewan                 | 5 years | \$207,270 | Development of flax cultivars for Western Canada                                                                                                      |
| Helen Booker      | University of Saskatchewan                 | 5 years | \$374,471 | Genomics and molecular marker-assisted mapping approach to identify disease-resistance genes in flax                                                  |
| Hubert Landry     | Prairie Agricultural Machinery Institute   | 5 years | \$30,639  | Spray drift management under changing operational requirements                                                                                        |
| Jan Slaski        | InnoTech Alberta Inc                       | 4 years | \$694,600 | Introducing high-value specialty crops to western Canadian crop rotations                                                                             |
| Jessica Pratchler | North East Agriculture Research Foundation | 3 years | \$92,294  | Improved integrated disease management for oats                                                                                                       |
| Jie Feng          | Alberta Agriculture and Forestry           | 2 years | \$197,520 | Development and standardization of PCR diagnosis of 100 plant pathogens in Alberta                                                                    |
| Julia Leeson      | Agriculture & Agri-Food Canada             | 5 years | \$424,431 | Prairie weed surveys                                                                                                                                  |
| Julia Leeson      | Agriculture & Agri-Food Canada             | 5 years | \$21,300  | Glyphosate- or auxinic-resistant kochia and Russian thistle Prairie surveys                                                                           |
| Kate Congreves    | University of Saskatchewan                 | 3 years | \$56,730  | Developing a soil health assessment protocol for Saskatchewan producers                                                                               |
| Kelly Turkington  | Agriculture & Agri-Food Canada             | 5 years | \$10,934  | Coordination of a crop disease monitoring network for Western Canada                                                                                  |
| Kelly Turkington  | Agriculture & Agri-Food Canada             | 5 years | \$120,000 | Investigating crop management options to lessen the impact of FHB in wheat                                                                            |
| Lorne Grieger     | Prairie Agricultural Machinery Institute   | 1 year  | \$52,200  | Reducing combine header losses during soybean harvesting                                                                                              |
| Matthew Loewen    | University of Saskatchewan                 | 3 years | \$145,036 | Increasing faba bean use in pet food and aquaculture feeds                                                                                            |
| Meghan Vankosky   | Agriculture & Agri-Food Canada             | 5 years | \$15,941  | Coordinated monitoring of field crop insect pests in the Prairie ecosystem                                                                            |
| Nancy Ames        | Agriculture & Agri-Food Canada             | 5 years | \$50,000  | Effect of heat treatment on the storage stability, functional properties and sensory and microbial quality of food grade canaryseed groats and flours |
| Pierre Hucl       | University of Saskatchewan                 | 5 years | \$150,000 | Improving yield, yield stability and grade protection in Western Canadian Spring Wheat cultivars – an integrated approach                             |
| Ramona Mohr       | Agriculture & Agri-Food Canada             | 5 years | \$280,202 | Economic and agronomic performance of emerging cropping systems for Western Canada                                                                    |

(CONTINUED)

# LISTING OF THE PROJECTS COMMENCING IN 2018

(CONTINUED)

| RESEARCHER                     | INSTITUTION                                           | LENGTH  | AMOUNT      | RESEARCH PROJECT TITLE                                                                                                             |
|--------------------------------|-------------------------------------------------------|---------|-------------|------------------------------------------------------------------------------------------------------------------------------------|
| Randy Kutcher and Paul Bullock | University of Saskatchewan and University of Manitoba | 5 years | \$268,411   | Selecting crop sequences and developing a risk model to mitigate FHB in western Canadian cereal production                         |
| Richard Cuthbert               | Agriculture & Agri-Food Canada                        | 5 years | \$200,000   | CWRS Western Prairies for drought and heat stress                                                                                  |
| Richard Cuthbert               | Agriculture & Agri-Food Canada                        | 5 years | \$150,000   | Breeding improved CPSR cultivars                                                                                                   |
| Richard Farrell                | University of Saskatchewan                            | 3 years | \$131,051   | Revisiting nitrogen fertilizer recommendations for Saskatchewan: Are we measuring the right soil nitrogen pool?                    |
| Rob Graf                       | Agriculture & Agri-Food Canada                        | 5 years | \$120,131   | Development of improved field ready CWRW wheat cultivars for Western Canada                                                        |
| Ron Knox                       | Agriculture & Agri-Food Canada                        | 5 years | \$120,000   | Application of biotechnological tools to wheat breeding                                                                            |
| Santosh Kumar                  | Agriculture & Agri-Food Canada                        | 5 years | \$200,000   | Breeding field-ready Canada Western Red Spring cultivars for the Eastern Prairies                                                  |
| Santosh Kumar                  | Agriculture & Agri-Food Canada                        | 5 years | \$200,000   | Developing Canadian Western Red Spring Wheat varieties for northern areas                                                          |
| Sijo Joseph (Thandapilly)      | Agriculture & Agri-Food Canada                        | 2 years | \$23,870    | Investigating the potential of avenanthramides on glycemic control – a novel marketable attribute for Manitoban oats               |
| Steve Robinson                 | Agriculture & Agri-Food Canada                        | 5 years | \$99,000    | Next-generation fungicides – protecting Saskatchewan crops using a revolutionary approach for controlling persistent crop diseases |
| Sylvie Cloutier Kurt McCartney | Agriculture & Agri-Food Canada                        | 5 years | \$70,000    | Pre-breeding platform for Canadian wheat improvement                                                                               |
| Tyler Wist                     | Agriculture & Agri-Food Canada                        | 3 years | \$357,500   | An early warning system to predict aster yellows outbreaks in Western Canada: origin and arrival of migrant leafhoppers            |
| Yantai Gan                     | Agriculture & Agri-Food Canada                        | 5 years | \$273,281   | Optimizing systems productivity, resilience and sustainability in the major Canadian ecozones                                      |
| Yuefeng Ruan                   | Agriculture & Agri-Food Canada                        | 5 years | \$220,000   | Breeding improved Canada Western Amber Durum cultivars                                                                             |
| Yvonne Lawley                  | University of Manitoba                                | 2 years | \$72,450    | Corn population and row spacing project                                                                                            |
| Yvonne Lawley                  | University of Manitoba                                | 5 years | \$1,464,772 | Testing the cover crop hypothesis across Prairie Canada                                                                            |
| Yvonne Lawley                  | University of Manitoba                                | 4 years | \$86,106    | Frequency of soybean in Manitoba crop rotations                                                                                    |



455

PROJECTS LISTED ON  
WESTERNGRAINS.COM



# WGRF ONLINE SEARCH TOOL

More than 455 WGRF-funded research projects are now listed at [westerngrains.com](http://westerngrains.com) in a user-friendly, searchable format. Search by researcher, institution, keyword or co-funder to find out more details of what projects we have funded in the past and present.

# CROP PRODUCTION SYSTEMS RESEARCH



## Cropping systems

Agronomic challenges faced by western Canadian farmers cut across multiple crops – everything from soil health and crop rotation to herbicide resistance and climate change mitigation.



## Whole-farm approach

WGRF works with researchers to identify multi-crop agronomy projects that provide significant benefits to the whole farm using a systems approach.



## Producer benefit

WGRF makes funding decisions that are mindful of the economic interests of producers.



## Sustainability

WGRF-funded research, such as agronomic practices to reduce greenhouse gases and increase carbon sinks, will help producers mitigate climate change.



## Resiliency

WGRF is focused on research that will support producers with resilient cropping systems.





# **FINANCIAL STATEMENTS**

YEAR ENDED DECEMBER 31, 2018

# INDEPENDENT AUDITORS' REPORT

## TWIGG & COMPANY

CHARTERED PROFESSIONAL  
ACCOUNTANTS

650 Regency Center | T 306-244-0808  
333—25<sup>th</sup> Street East | F 306-244-0004  
Saskatoon, SK. S7K 0L4 | W twiggandcompany.com

**L.D. SAFINUK**  
B. Comm., CPA, CA

**M. LINGARD**  
B. Comm., MPAcc., CPA, CA

## TO THE DIRECTORS OF WESTERN GRAINS RESEARCH FOUNDATION

### QUALIFIED OPINION

We have audited the financial statements of Western Grains Research Foundation, which comprise the statement of financial position as at December 31, 2018, and the statements of operations and changes in fund balances and cash flows for the year then ended, 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, these financial statements present fairly, in all material respects, the financial position of Western Grains Research Foundation as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### BASIS FOR QUALIFIED OPINION

The Foundation derives part of its earnings from payments from wheat and barley producers and royalties, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of revenue from these sources was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to payments received from producers or royalties, excess of revenue over expenditures, and cash flows from operations for the years ended December 31, 2018, and December 31, 2017, current assets as of December 31, 2018, and December 31, 2017, and fund balances as at January 1 and December 31, for both the 2018 and 2017 years.

We conducted our audit in accordance with 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 Western Grains Research Foundation 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 to 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 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.

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

Those charged with governance are responsible for overseeing Western Grains Research Foundation'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 it 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 misstatements 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 Western Grains Research Foundation'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 the 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 Western Grains Research Foundation ability to continue as a going concern. If we conclude that a material uncertainty

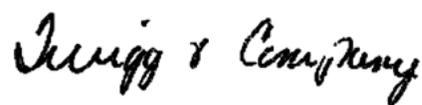
exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Western Grains Research Foundation 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may be reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



### CHARTERED PROFESSIONAL ACCOUNTANTS

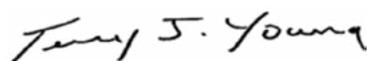
February 4, 2019  
Saskatoon, Saskatchewan

# STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2018

|                                           | 2018                  | 2017                  |
|-------------------------------------------|-----------------------|-----------------------|
| <b>CURRENT ASSETS</b>                     |                       |                       |
| Cash                                      | 288,987               | 496,486               |
| Cash and cash equivalents (Note 3)        | 12,359,733            | 22,070,381            |
| Accounts receivable (Note 6)              | 3,457,619             | 2,299,948             |
| Prepaid expenses                          | 7,852                 | 7,300                 |
| Investments in debt instruments (Note 7)  | 57,109,466            | 49,414,684            |
| Investments in equity securities          | 93,037,732            | 103,109,624           |
| Investments in bond exchange traded funds | 2,249,949             | 2,288,351             |
|                                           | <b>\$ 168,511,338</b> | <b>\$ 179,686,774</b> |
| <b>CURRENT LIABILITIES</b>                |                       |                       |
| Accounts payable and accrued liabilities  | 34,406                | 23,683                |
|                                           |                       |                       |
| <b>FUND BALANCES</b> (Notes 4,10)         |                       |                       |
| Capital Fund                              | 9,066,972             | 9,066,972             |
| Endowment Fund (Schedule 1)               | 128,041,216           | 131,856,530           |
| Wheat Fund (Schedule 2)                   | 28,911,478            | 35,432,754            |
| Barley Fund (Schedule 3)                  | 2,457,266             | 3,306,835             |
|                                           | <b>\$ 168,476,932</b> | <b>\$ 179,663,091</b> |
| See accompanying notes                    | <b>\$ 168,511,338</b> | <b>\$ 179,686,774</b> |

APPROVED BY THE BOARD:



**TERRY YOUNG**  
Chair



**JASON SKOTHEIM**  
Vice Chair

# STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

YEAR ENDED DECEMBER 31, 2018

|                                                               | 2018                  | 2017                  |
|---------------------------------------------------------------|-----------------------|-----------------------|
| <b>REVENUES</b>                                               |                       |                       |
| Payments received from producers                              | 347,452               | 6,216,576             |
| Unrealized gain (loss) on investments (Note 8)                | (7,526,215)           | 7,138,767             |
| Investment income                                             | 3,513,905             | 3,131,754             |
| Other income (Note 9)                                         | 3,614,404             | 9,559,326             |
| Royalties                                                     | 2,051,279             | 1,955,033             |
| Gain on sale of investments (Note 8)                          | 2,353,435             | 3,936,161             |
| Foreign exchange gain (loss)                                  | 401,200               | (356,847)             |
|                                                               | <b>\$ 4,755,460</b>   | <b>\$ 31,580,770</b>  |
| <b>EXPENDITURES</b>                                           |                       |                       |
| Research funding                                              | 13,835,527            | 16,795,351            |
| Operating & Program Expenses (Schedule 4)                     | 1,846,336             | 1,605,246             |
| Royalty research funding                                      | 259,756               | 505,500               |
|                                                               | <b>\$ 15,941,619</b>  | <b>\$ 18,906,097</b>  |
| Excess (deficiency) of revenue over expenditures for the year | (11,186,159)          | 12,674,673            |
| Fund balances, beginning of year                              | 179,663,091           | 166,988,418           |
| <b>FUND BALANCES, END OF YEAR</b>                             | <b>\$ 168,476,932</b> | <b>\$ 179,663,091</b> |

See accompanying notes

# STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2018

|                                                               | 2018                  | 2017                 |
|---------------------------------------------------------------|-----------------------|----------------------|
| <b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>         |                       |                      |
| Excess (deficiency) of revenue over expenditures for the year | (11,186,159)          | 12,674,673           |
| Items not affecting cash                                      |                       |                      |
| Unrealized gain (loss) on investments                         | 7,526,215             | (7,138,767)          |
| Amortization of net premiums on bonds                         | 4,018                 | 9,650                |
| Gain (loss) on sale of investments                            | (2,353,435)           | (3,936,161)          |
| Changes in non-cash working capital                           | (1,147,500)           | 3,027,079            |
|                                                               | <b>\$ (7,156,861)</b> | <b>\$ 4,636,474</b>  |
| <b>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES</b>         |                       |                      |
| Purchase of investments                                       | (40,377,872)          | (63,204,258)         |
| Proceeds on investments redeemed                              | 37,616,586            | 63,479,570           |
|                                                               | <b>\$ (2,761,286)</b> | <b>\$ 275,312</b>    |
| Increase (decrease) in cash during the year                   | (9,918,147)           | 4,911,786            |
| Cash position, beginning of year                              | 22,566,867            | 17,655,081           |
| <b>CASH POSITION, END OF YEAR</b>                             | <b>\$ 12,648,720</b>  | <b>\$ 22,566,867</b> |
| <b>CASH IS COMPRISED OF</b>                                   |                       |                      |
| Operating cash                                                | 288,987               | 496,486              |
| Cash and short-term notes held by investment dealer           | 12,359,733            | 22,070,381           |
|                                                               | <b>\$ 12,648,720</b>  | <b>\$ 22,566,867</b> |

See accompanying notes

# SCHEDULE 1 - ENDOWMENT FUND OPERATIONS AND CHANGES IN FUND BALANCE

YEAR ENDED DECEMBER 31, 2018

|                                                               | 2018                  | 2017                  |
|---------------------------------------------------------------|-----------------------|-----------------------|
| <b>REVENUES</b>                                               |                       |                       |
| Investment income                                             | 2,825,959             | 2,473,830             |
| Other income (Note 9)                                         | 2,915,913             | 7,475,464             |
| Gain on sale of investments (Note 8)                          | 1,421,688             | 3,383,393             |
| Unrealized gain (loss) on investments (Note 8)                | (5,541,261)           | 5,384,490             |
| Foreign exchange gain (loss)                                  | 307,215               | (284,604)             |
|                                                               | <b>\$ 1,929,514</b>   | <b>\$ 18,432,573</b>  |
| <b>EXPENDITURES</b>                                           |                       |                       |
| <b>RESEARCH FUNDING</b>                                       |                       |                       |
| Variety Development                                           | 1,854,449             | 2,536,225             |
| Agronomy                                                      | 2,455,999             | 2,488,119             |
| Agronomy adjustment from Barley Fund                          | -                     | 437,641               |
| Post Harvest Management                                       | 194,802               | 648,983               |
| Minor Crop Development                                        | 60,158                | 86,464                |
| Agronomy Capacity                                             | 75,000                | -                     |
|                                                               | <b>\$ 4,640,408</b>   | <b>\$ 6,197,432</b>   |
| Operating & Program Expenses (Schedule 4)                     | 1,104,420             | 1,004,537             |
|                                                               | <b>\$ 5,744,828</b>   | <b>\$ 7,201,969</b>   |
| Excess (deficiency) of revenue over expenditures for the year | (3,815,314)           | 11,230,604            |
| Endowment fund, beginning of year                             | 131,856,530           | 120,625,926           |
| <b>FUND BALANCES, END OF YEAR</b>                             | <b>\$ 128,041,216</b> | <b>\$ 131,856,530</b> |

See accompanying notes

# SCHEDULE 2 - WHEAT FUND OPERATIONS AND CHANGES IN FUND BALANCE

YEAR ENDED DECEMBER 31, 2018

|                                                               | 2018                | 2017                 |
|---------------------------------------------------------------|---------------------|----------------------|
| <b>OPERATING ACCOUNT</b>                                      |                     |                      |
| <b>REVENUES</b>                                               |                     |                      |
| Payments received from producers (Note 2)                     | 314,334             | 5,502,340            |
| Royalties                                                     | 1,874,358           | 1,724,308            |
| Other income (Note 9)                                         | 598,491             | 1,983,862            |
| Investment income                                             | 2,994               | 1,396                |
|                                                               | <b>\$ 2,790,177</b> | <b>\$ 9,211,906</b>  |
| <b>EXPENDITURES</b>                                           |                     |                      |
| <b>RESEARCH FUNDING</b>                                       |                     |                      |
| Agriculture and Agri-Food Canada                              | 4,724,830           | 6,388,281            |
| University of Saskatchewan                                    | 1,552,261           | 1,635,958            |
| University of Manitoba                                        | 873,883             | 971,355              |
| Canadian Wheat Research Coalition                             | 457,522             | -                    |
| <b>CEROM</b>                                                  | <b>328,277</b>      | <b>394,384</b>       |
| University of Alberta                                         | 321,660             | 338,301              |
| University of Guelph                                          | 76,009              | 174,996              |
| National Research Council                                     | 25,742              | 40,597               |
| Alberta Agriculture and Rural Development                     | 32,412              | 32,412               |
|                                                               | <b>\$ 8,392,596</b> | <b>\$ 9,976,284</b>  |
| Royalty research funding                                      | -                   | 505,500              |
| Operating & Program Expenses (Schedule 4)                     | 661,562             | 534,846              |
|                                                               | <b>\$ 9,054,158</b> | <b>\$ 11,016,630</b> |
| Excess (deficiency) of revenue over expenditures for the year | (6,263,981)         | (1,804,724)          |
| Transfer from wheat reserve account                           | 5,639,367           | 1,054,159            |
| Operating account, beginning of year                          | 908,073             | 1,658,638            |
| <b>OPERATING ACCOUNT, END OF YEAR</b>                         | <b>\$ 283,459</b>   | <b>\$ 908,073</b>    |
| See accompanying notes                                        |                     | (CONTINUED)          |

## SCHEDULE 2 - WHEAT FUND OPERATIONS AND CHANGES IN FUND BALANCE (CONTINUED)

YEAR ENDED DECEMBER 31, 2018

|                                                | 2018                 | 2017                 |
|------------------------------------------------|----------------------|----------------------|
| <b>RESERVE ACCOUNT</b>                         |                      |                      |
| Investment income                              | 630,507              | 610,292              |
| Gain on sale of investments (Note 8)           | 877,493              | 499,737              |
| Unrealized gain (loss) on investments (Note 8) | (1,845,627)          | 1,636,140            |
| Foreign exchange gain (loss)                   | 80,332               | (59,285)             |
| <b>RESERVE INCOME FOR THE YEAR</b>             | <b>\$ (257,295)</b>  | <b>\$ 2,686,884</b>  |
| Transfer to wheat operating account            | (5,639,367)          | (1,054,159)          |
| Reserve account, beginning of year             | 34,524,681           | 32,891,956           |
| <b>RESERVE ACCOUNT, END OF YEAR</b>            | <b>\$ 28,628,019</b> | <b>\$ 34,524,681</b> |
| <b>WHEAT FUND, END OF YEAR</b>                 | <b>\$ 28,911,478</b> | <b>\$ 35,432,754</b> |

See accompanying notes

# SCHEDULE 3 - BARLEY FUND OPERATIONS AND CHANGES IN FUND BALANCE

YEAR ENDED DECEMBER 31, 2018

|                                                               | 2018                | 2017                |
|---------------------------------------------------------------|---------------------|---------------------|
| <b>OPERATING ACCOUNT</b>                                      |                     |                     |
| <b>REVENUES</b>                                               |                     |                     |
| Payments received from producers (Note 2)                     | 33,118              | 714,236             |
| Other income (Note 9)                                         | 100,000             | 100,000             |
| Royalties                                                     | 176,921             | 230,725             |
| Investment income                                             | 428                 | 199                 |
|                                                               | <b>\$ 310,467</b>   | <b>\$ 1,045,160</b> |
| <b>EXPENDITURES</b>                                           |                     |                     |
| <b>RESEARCH FUNDING</b>                                       |                     |                     |
| Agriculture and Agri-Food Canada                              | 277,680             | 272,235             |
| Alberta Barley Commission                                     | -                   | 234,760             |
| Agronomy adjustment to Endowment Fund                         | -                   | (437,641)           |
| University of Saskatchewan                                    | 515,356             | 552,281             |
| University of Manitoba                                        | 9,487               | -                   |
|                                                               | <b>\$ 802,523</b>   | <b>\$ 621,635</b>   |
| Royalty fund Donation to University of Saskatchewan           | 259,756             | -                   |
| Operating & Program Expenses (Schedule 4)                     | 80,354              | 65,863              |
|                                                               | <b>\$ 1,142,633</b> | <b>\$ 687,498</b>   |
| Excess (deficiency) of expenditures over revenue for the year | (832,166)           | 357,662             |
| Transfer from (to) barley reserve account                     | 813,473             | (419,067)           |
| Operating account, beginning of year                          | 52,337              | 113,742             |
| <b>OPERATING ACCOUNT, END OF YEAR</b>                         | <b>\$ 33,644</b>    | <b>\$ 52,337</b>    |
| See accompanying notes                                        |                     | (CONTINUED)         |

## SCHEDULE 3 - BARLEY FUND OPERATIONS AND CHANGES IN FUND BALANCE (CONTINUED)

YEAR ENDED DECEMBER 31, 2018

|                                                | 2018                | 2017                |
|------------------------------------------------|---------------------|---------------------|
| <b>RESERVE ACCOUNT</b>                         |                     |                     |
| Investment income                              | 54,017              | 46,037              |
| Gain on sale of investments (Note 8)           | 54,254              | 53,031              |
| Unrealized gain (loss) on investments (Note 8) | (139,327)           | 118,137             |
| Foreign exchange gain (loss)                   | 13,653              | (12,958)            |
| <b>RESERVE INCOME FOR THE YEAR</b>             | <b>\$ (17,403)</b>  | <b>\$ 204,247</b>   |
| Transfer from (to) barley operating account    | (813,473)           | 419,067             |
| Reserve account, beginning of year             | 3,254,498           | 2,631,184           |
| <b>RESERVE ACCOUNT, END OF YEAR</b>            | <b>\$ 2,423,622</b> | <b>\$ 3,254,498</b> |
| <b>BARLEY FUND, END OF YEAR</b>                | <b>\$ 2,457,266</b> | <b>\$ 3,306,835</b> |

See accompanying notes

## SCHEDULE 4 - OPERATING AND PROGRAM EXPENDITURES

YEAR ENDED DECEMBER 31, 2018

| <b>EXPENDITURES</b>                                              | <b>ENDOWMENT FUND</b> | <b>WHEAT FUND</b> | <b>BARLEY FUND</b> | <b>2018</b>         | <b>2017</b>         |
|------------------------------------------------------------------|-----------------------|-------------------|--------------------|---------------------|---------------------|
| Wages and benefits                                               | 529,059               | 308,618           | 44,088             | 881,765             | 826,836             |
| Communications                                                   | 175,447               | 185,525           | 7,433              | 368,405             | 319,443             |
| Scholarships                                                     | 112,000               | 7,000             | 1,000              | 120,000             | 100,000             |
| Office (Note 11)                                                 | 104,939               | 61,242            | 8,744              | 174,925             | 163,114             |
| Professional fees                                                | 53,371                | 31,132            | 4,448              | 88,951              | 28,595              |
| Consulting fees                                                  | 18,212                | 10,236            | 2,914              | 31,362              | 29,195              |
| Travel and other                                                 | 72,265                | 44,069            | 9,430              | 125,764             | 99,025              |
| Directors per diems                                              | 39,127                | 13,740            | 2,297              | 55,164              | 39,038              |
| <b>OPERATING &amp; PROGRAM<br/>EXPENDITURES FOR<br/>THE YEAR</b> | <b>\$ 1,104,420</b>   | <b>\$ 661,562</b> | <b>\$ 80,354</b>   | <b>\$ 1,846,336</b> | <b>\$ 1,605,246</b> |



# **NOTES TO THE FINANCIAL STATEMENTS**

YEAR ENDED DECEMBER 31, 2018

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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## 1. DESCRIPTION OF THE FOUNDATION

Western Grains Research Foundation (the "Foundation" or "WGRF") is a farmer funded and directed not-for-profit organization investing in agricultural field crop research to benefit western Canadian producers.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations "NPO accounting standards" and reflect the following significant accounting policies:

### REVENUE RECOGNITION

---

#### A) WHEAT AND BARLEY FUNDS

Investment income, including any unrealized changes in fair market value in equity securities, is recognized as income in the year earned.

Historically, revenue earned by the wheat and barley funds was primarily comprised of payments received from producers as detailed in Note 4.

The payment from producers is recognized in the operating account of the respective fund as revenue when the amount is known and collection is reasonably assured; some amounts cannot be determined by the Foundation prior to receipt.

Royalties earned by the wheat and barley funds are recognized in the operating accounts of the respective funds when the amount is known and collection is reasonably assured; some amounts cannot be determined by the Foundation prior to receipt.

#### B) ENDOWMENT FUND

Investment income, including any unrealized changes in fair value in equity securities, and Exchange Traded Funds is recognized as income in the year earned.

In some years, WGRF has been awarded funds by the Canadian Transportation Agency ("CTA") as a result of Canadian Pacific Railway Company ("CP") and Canadian National Railway Company ("CN") exceeding their MRE (Maximum Revenue Entitlement) for movement of grain in Western Canada. This revenue is recognized and recorded as other income in the endowment fund operations when the amount is known and collection is reasonably assured. In December 2018, the CTA directed CN to pay the Foundation \$1,099,649 (Note 9) for the 2017/8 crop year and also directed CP to pay the Foundation \$1,575,539 (Note 9) for the 2017/8 crop year. In 2017 CN paid the Foundation \$6,062,428 (Note 9) and CP paid the Foundation \$1,132,894 as per CTA award for the 2016/7 crop year (Note 9).

### RECOGNITION OF CONTRIBUTIONS

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WGRF follows the restricted fund method whereby revenues of a specific fund are recognized in the fund corresponding to the purpose for which they were contributed when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

(CONTINUED)

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### INVESTMENT INCOME

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Investment income includes interest and dividend income earned in the year and realized gains and losses from dispositions of investment assets in the year. Unrealized changes in fair value from year to year are recognized in earnings.

### FUND OPERATIONS

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Revenue earned, net of operating expenditures, is allocated to designated funds. Research funding paid in the year is charged against the respective fund.

### ROYALTIES

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The Foundation's share of royalties derived from wheat and/or barley varietal developments are recorded as royalty revenue in the respective wheat and/or barley statement of fund operations. Upon approval of the Board of Directors the royalty funds may be subsequently reinvested with research organizations for the funding of specific projects and recorded as royalty expenditures in the respective statement of fund revenue and expenditures for wheat and/or barley.

### FOREIGN CURRENCY TRANSLATION

---

The Foundation follows the temporal method of accounting for the translation of foreign currency amounts into Canadian dollars. Under this method, monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. Non-monetary assets are translated at the historical rate of exchange. Revenue and expenses are translated at the rate of exchange prevailing on the transaction date. Gains and losses on translation are reflected in income.

### FINANCIAL INSTRUMENTS

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The Foundation initially measures its financial assets and financial liabilities at fair value. It subsequently measures investments in equity securities and Exchange Traded Funds at fair value. Other financial assets and financial liabilities including cash, cash and cash equivalents, accounts receivable, accrued interest receivable, investments in debt instruments and accounts payable and accrued liabilities are subsequently measured at amortized cost.

### USE OF ESTIMATES

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The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The inherent uncertainty involved in making such estimates and assumptions may impact the actual results reported in future periods.

## 3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of balances with banks and short-term investments with maturities of three months or less.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

## 4. FUNDS

### CAPITAL FUND

The Foundation was funded by the Canadian Ministry of Agriculture on May 2, 1983 by a \$9,066,972 contribution to the Capital Fund. The funding contribution represented an amount equivalent to the balance remaining in the Prairie Farm Emergency Fund, which was derived entirely by deductions from prairie farmer grain sales.

### ENDOWMENT FUND

Annual investment revenue earned from the initial Capital Fund contribution and funds awarded by the CTA to the Foundation as a result of CN and CP exceeding their Maximum Revenue Entitlements for the movement of grain in Western Canada, net of operating and research funding expenditures, is allocated to the Endowment Fund. The Endowment Fund is not externally restricted and can be spent at the discretion of the Foundation's Board of Directors.

### WHEAT FUND AND BARLEY FUND

Under federal regulations effective August 1, 2012 through July 31, 2017, licensed grain buyers were required to deduct the Western Canadian Deduction levy of \$0.48 per tonne for wheat and \$0.56 per tonne for barley and remit to the Alberta Barley Commission (ABC). A portion of the levy was directed to market development and technical assistance and administration. ABC remitted the amount directed for research to the Foundation. WGRF received \$0.30 per tonne for wheat and \$0.50 per tonne for barley net of producer refunds. The funds were invested and directed to fund research projects for wheat and barley.

Subsequent to July 31, 2017 WGRF is no longer the recipient of the Western Canadian Deduction. Provincial wheat and barley commissions are the recipients of the Western Canadian Deduction beginning August 1, 2017.

In 2009, the Board approved a motion to increase the minimum Wheat Fund reserve account balance to \$8.8 million from \$4.8 million (the amount previously required under the Canadian Wheat Board Act, repealed August 1, 2012).

## 5. INCOME TAX STATUS

The Foundation is a registered charity, designated as a public foundation under the Income Tax Act of Canada. As such, it is not subject to income taxes.

## 6. ACCOUNTS RECEIVABLE

2018

2017

Accounts receivable include the following:

|                                                       |                     |                     |
|-------------------------------------------------------|---------------------|---------------------|
| Railway Excess Maximum Revenue Entitlement receivable | 2,675,188           | 1,132,894           |
| Receivables under joint research funding agreements   | 107,530             | 491,091             |
| Accrued interest receivable                           | 530,244             | 400,416             |
| Royalty receivables                                   | 122,330             | 260,875             |
| GST Receivable                                        | 22,327              | 14,672              |
|                                                       | <b>\$ 3,457,619</b> | <b>\$ 2,299,948</b> |

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

## 7. INVESTMENT IN DEBT INSTRUMENTS

| Investment Type & Maturity                                                               | Effective Interest Rates | 2018                 |                      | 2017                 |                      |
|------------------------------------------------------------------------------------------|--------------------------|----------------------|----------------------|----------------------|----------------------|
|                                                                                          |                          | Amortized Cost       | Market Value         | Amortized Cost       | Market Value         |
| <b>ENDOWMENT FUND:</b>                                                                   |                          |                      |                      |                      |                      |
| <b>CORPORATE BONDS</b>                                                                   |                          |                      |                      |                      |                      |
| 2018                                                                                     | 1.89% - 2.09%            | -                    | -                    | 1,904,371            | 1,906,569            |
| 2019                                                                                     | 2.37%                    | 1,000,239            | 999,300              | 1,000,523            | 1,004,900            |
| 2021                                                                                     | Floating rates           | 2,258,800            | 2,341,500            | -                    | -                    |
| <b>CORPORATE LONG BOND BEAR NOTE</b>                                                     |                          |                      |                      |                      |                      |
| 2019                                                                                     | 0.80% (*)                | 5,000,000            | 4,982,068            | 5,000,000            | 4,922,232            |
| <b>PROVINCIAL BONDS</b>                                                                  |                          |                      |                      |                      |                      |
| 2025                                                                                     | 2.30% - 2.38%            | 2,995,427            | 2,914,860            | 2,994,790            | 2,914,140            |
| <b>GUARANTEED INVESTMENT CERTIFICATES</b>                                                |                          |                      |                      |                      |                      |
| 2018                                                                                     | 1.35% - 2.56%            | -                    | -                    | 8,900,000            | 8,900,000            |
| 2019                                                                                     | 1.55% - 2.85%            | 11,140,000           | 11,140,000           | 7,640,000            | 7,640,000            |
| 2020                                                                                     | 1.65% - 2.60%            | 8,615,000            | 8,615,000            | 3,615,000            | 3,615,000            |
| 2021                                                                                     | 2.05% - 3.26%            | 5,300,000            | 5,300,000            | 1,100,000            | 1,100,000            |
| 2022                                                                                     | 2.25% - 3.38%            | 3,000,000            | 3,000,000            | 1,000,000            | 1,000,000            |
| 2023                                                                                     | 3.05% - 3.30%            | 1,000,000            | 1,000,000            | -                    | -                    |
| <b>Step-Up Note - extendable to 2021. Interest rate increases annually if extended.</b>  |                          |                      |                      |                      |                      |
| 2018                                                                                     | 2.15% - 2.40%            | 1,800,000            | 1,779,052            | 1,000,000            | 985,500              |
| <b>Step-Up Notes - extendable to 2022. Interest rate increases annually if extended.</b> |                          |                      |                      |                      |                      |
| 2018                                                                                     | 1.75% - 2.50%            | 3,750,000            | 3,672,858            | 3,750,000            | 3,684,225            |
| <b>Step-Up Notes - extendable to 2023. Interest rate increases annually if extended.</b> |                          |                      |                      |                      |                      |
| 2018                                                                                     | 2.0% - 2.70%             | 3,800,000            | 3,712,358            | 2,750,000            | 2,681,628            |
| <b>TOTAL ENDOWMENT FUND</b>                                                              |                          | <b>\$ 49,659,466</b> | <b>\$ 49,456,996</b> | <b>\$ 40,654,684</b> | <b>\$ 40,354,194</b> |

(CONTINUED)

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

## 7. INVESTMENT IN DEBT INSTRUMENTS (CONTINUED)

| Investment Type & Maturity                                                                     | Effective Interest Rates | 2018                 |                      | 2017           |               |
|------------------------------------------------------------------------------------------------|--------------------------|----------------------|----------------------|----------------|---------------|
|                                                                                                |                          | Amortized Cost       | Market Value         | Amortized Cost | Market Value  |
| <b>WHEAT FUND:</b>                                                                             |                          |                      |                      |                |               |
| <b>CORPORATE LONG BOND BEAR NOTE</b>                                                           |                          |                      |                      |                |               |
| 2019                                                                                           | 0.80% (*)                | 2,000,000            | 1,992,828            | 2,000,000      | 1,968,892     |
| <b>CORPORATE BONDS</b>                                                                         |                          |                      |                      |                |               |
| 2021                                                                                           | Floating rate            | 200,000              | 198,288              | -              | -             |
| <b>GUARANTEED INVESTMENT CERTIFICATES</b>                                                      |                          |                      |                      |                |               |
| 2018                                                                                           | 1.35% - 2.50%            | -                    | -                    | 3,525,000      | 3,525,000     |
| 2019                                                                                           | 1.55% - 2.42%            | 1,925,000            | 1,925,000            | 1,275,000      | 1,275,000     |
| 2020                                                                                           | 2.60% - 3.13%            | 650,000              | 650,000              | 100,000        | 100,000       |
| 2021                                                                                           | 2.85% - 3.10%            | 400,000              | 400,000              | -              | -             |
| <b>Step-Up Notes - extendable to 2021. Interest rate increases 0.25% annually if extended.</b> |                          |                      |                      |                |               |
| 2019                                                                                           | 2.15% - 2.40%            | 550,000              | 544,332              | 250,000        | 246,375       |
| <b>Step-Up Note - extendable to 2022. Interest rate increases annually if extended.</b>        |                          |                      |                      |                |               |
| 2018                                                                                           | 1.75% - 2.50%            | 600,000              | 588,204              | 600,000        | 589,257       |
| <b>Step-Up Notes - extendable to 2023. Interest rate increases annually if extended.</b>       |                          |                      |                      |                |               |
| 2018                                                                                           | 2.0% - 2.7%              | 800,000              | 784,415              | 500,000        | 488,485       |
| <b>TOTAL WHEAT FUND</b>                                                                        |                          | <b>\$ 7,125,000</b>  | <b>\$ 7,083,067</b>  | \$ 8,250,000   | \$ 8,193,009  |
| <b>BARLEY FUND:</b>                                                                            |                          |                      |                      |                |               |
| <b>GUARANTEED INVESTMENT CERTIFICATES</b>                                                      |                          |                      |                      |                |               |
| 2018                                                                                           | 1.50% - 2.01%            | -                    | -                    | 285,000        | 285,000       |
| 2019                                                                                           | 1.71% - 2.42%            | 275,000              | 275,000              | 175,000        | 175,000       |
| 2020                                                                                           | 1.85%                    | 50,000               | 50,000               | 50,000         | 50,000        |
| <b>TOTAL BARLEY FUND</b>                                                                       |                          | <b>\$ 325,000</b>    | <b>\$ 325,000</b>    | \$ 510,000     | \$ 510,000    |
| <b>TOTAL ALL FUNDS</b>                                                                         |                          | <b>\$ 57,109,466</b> | <b>\$ 56,865,063</b> | \$ 49,414,684  | \$ 49,057,203 |

\*Corporate Long Bond Bear Notes provide 0.80% coupon rate plus a provision for additional return based on the long term bond index at maturity date.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

|                                                     | 2018                  | 2017          |
|-----------------------------------------------------|-----------------------|---------------|
| <b>8. ACCUMULATED UNREALIZED GAINS</b>              |                       |               |
| A) INVESTMENT IN EQUITY SECURITIES                  |                       |               |
| <b>ENDOWMENT FUND EQUITIES</b>                      |                       |               |
| Change in unrealized gain (loss) during the year    | (4,102,791)           | 8,788,484     |
| Recognition of realized gain (loss) during the year | (1,421,688)           | (3,383,393)   |
|                                                     | <b>\$ (5,524,479)</b> | \$ 5,405,091  |
| Unrealized gains in opening fund balance            | 18,674,782            | 13,269,691    |
|                                                     | <b>\$ 13,150,303</b>  | \$ 18,674,782 |
| <b>WHEAT FUND EQUITIES</b>                          |                       |               |
| Change in unrealized gain (loss) during the year    | (948,379)             | 2,176,376     |
| Recognition of realized gain (loss) during the year | (877,493)             | (499,737)     |
|                                                     | <b>\$ (1,825,872)</b> | \$ 1,676,639  |
| Unrealized gains in opening fund balance            | 3,903,875             | 2,227,236     |
|                                                     | <b>\$ 2,078,003</b>   | \$ 3,903,875  |
| <b>BARLEY FUND EQUITIES</b>                         |                       |               |
| Change in unrealized gain (loss) during the year    | (84,222)              | 172,250       |
| Recognition of realized gain (loss) during the year | (54,254)              | (53,031)      |
|                                                     | <b>\$ (138,476)</b>   | \$ 119,219    |
| Unrealized gains in opening fund balance            | 316,403               | 197,184       |
|                                                     | <b>\$ 177,927</b>     | \$ 316,403    |
| <b>TOTAL, ALL FUNDS</b>                             |                       |               |
| Change in unrealized gain (loss) during the year    | (5,135,392)           | 11,137,110    |
| Recognition of realized gain (loss) during the year | (2,353,435)           | (3,936,161)   |
|                                                     | <b>\$ (7,488,827)</b> | \$ 7,200,949  |
| Unrealized gains in opening fund balance            | 22,895,060            | 15,694,111    |
|                                                     | <b>\$ 15,406,233</b>  | \$ 22,895,060 |

(CONTINUED)

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

|                                                     | 2018               | 2017        |
|-----------------------------------------------------|--------------------|-------------|
| <b>8. ACCUMULATED UNREALIZED GAINS</b> (CONTINUED)  |                    |             |
| B) INVESTMENT IN BOND EXCHANGE TRADED FUNDS         |                    |             |
| <b>ENDOWMENT FUND ETF'S</b>                         |                    |             |
| Change in unrealized gain (loss) during the year    | (16,782)           | (20,601)    |
| Recognition of realized gains during the year       | -                  | -           |
|                                                     | <b>\$ (16,782)</b> | \$ (20,601) |
| Unrealized gain (loss) in opening fund balance      | (20,601)           | -           |
|                                                     | <b>\$ (37,383)</b> | \$ (20,601) |
| <b>WHEAT FUND ETF'S</b>                             |                    |             |
| Change in unrealized gain (loss) during the year    | (19,755)           | (40,499)    |
| Recognition of realized gains during the year       | -                  | -           |
|                                                     | <b>\$ (19,755)</b> | \$ (40,499) |
| Unrealized gain (loss) in opening fund balance      | (40,499)           | -           |
|                                                     | <b>\$ (60,254)</b> | \$ (40,499) |
| <b>BARLEY FUND ETF'S</b>                            |                    |             |
| Change in unrealized gain (loss) during the year    | (851)              | (1,082)     |
| Recognition of realized gains during the year       | -                  | -           |
|                                                     | <b>\$ (851)</b>    | \$ (1,082)  |
| Unrealized gain (loss) in opening fund balance      | (1,082)            | -           |
|                                                     | <b>\$ (1,933)</b>  | \$ (1,082)  |
| <b>TOTAL, ALL FUNDS</b>                             |                    |             |
| Change in unrealized gain (loss) during the year    | (37,388)           | (62,182)    |
| Recognition of realized gain (loss) during the year | -                  | -           |
|                                                     | <b>\$ (37,388)</b> | \$ (62,182) |
| Unrealized gain (loss) in opening fund balance      | (62,182)           | -           |
|                                                     | <b>\$ (99,570)</b> | \$ (62,182) |

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

|                                                                                          | 2018                  | 2017          |
|------------------------------------------------------------------------------------------|-----------------------|---------------|
| C) TOTAL ACCUMULATED UNREALIZED GAINS ON EQUITY INVESTMENTS & BOND EXCHANGE TRADED FUNDS |                       |               |
| <b>TOTAL, ALL FUNDS</b>                                                                  |                       |               |
| Change in unrealized gain (loss) during the year                                         | (5,172,780)           | 11,074,928    |
| Recognition of realized gain (loss) during the year                                      | (2,353,435)           | (3,936,161)   |
|                                                                                          | <b>\$ (7,526,215)</b> | \$ 7,138,767  |
| Unrealized gains in opening fund balance                                                 | 22,832,878            | 15,694,111    |
|                                                                                          | <b>\$ 15,306,663</b>  | \$ 22,832,878 |

## 9. OTHER INCOME

Other income includes the following:

| ENDOWMENT FUND                                                                                                        |                     |              |
|-----------------------------------------------------------------------------------------------------------------------|---------------------|--------------|
| CTA order for CN Rail for exceeding its Maximum Revenue Entitlement for grain movement for 2017-18                    | 1,099,649           | -            |
| CTA order for CP Rail for exceeding its Maximum Revenue Entitlement for grain movement for 2017-18                    | 1,575,539           | -            |
| CTA order for CN Rail for exceeding its Maximum Revenue Entitlement for grain movement for 2016-17                    | -                   | 6,062,428    |
| CTA order for CP Rail for exceeding its Maximum Revenue Entitlement for grain movement for 2016-17                    | -                   | 1,132,894    |
| Agriculture & Agri-Food Canada funding for research under the Systems Approach to Agronomy research program           | -                   | 249,785      |
| Agriculture & Agri-Food Canada funding for project management under the Systems Approach to Agronomy research program | -                   | 30,357       |
| Industry Partner funding for research under the Integrated Crop Agronomy Cluster                                      | 149,352             | -            |
| Agriculture & Agri-Food Canada funding for research under the Integrated Crop Agronomy Cluster                        | 30,704              | -            |
| Agriculture & Agri-Food Canada funding for program expenses under the Integrated Crop Agronomy Cluster                | 60,669              | -            |
|                                                                                                                       | <b>\$ 2,915,913</b> | \$ 7,475,464 |

(CONTINUED)

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

|                                                                                                                          | 2018                | 2017                |
|--------------------------------------------------------------------------------------------------------------------------|---------------------|---------------------|
| <b>9. OTHER INCOME</b> (CONTINUED)                                                                                       |                     |                     |
| <b>WHEAT FUND</b>                                                                                                        |                     |                     |
| CFCRA Funding for research under the National Wheat Improvement Program                                                  | (55,061)            | 347,187             |
| Alberta Wheat Commission Funding for research under the National Wheat Improvement Program                               | -                   | 269,120             |
| Agriculture & Agri-Food Canada funding for research under the National Wheat Improvement Plan research program           | 590,159             | 1,266,853           |
| Agriculture & Agri-Food Canada funding for project management under the National Wheat Improvement Plan research program | -                   | 100,702             |
| Recovery from the Canadian Wheat Research Coalition for services                                                         | 63,393              | -                   |
|                                                                                                                          | <b>\$ 598,491</b>   | <b>\$ 1,983,862</b> |
| <b>BARLEY FUND</b>                                                                                                       |                     |                     |
| Funding was received from the following organizations under a research funding agreement with the U of S:                |                     |                     |
| Sask Barley Commission                                                                                                   | 90,000              | 90,000              |
| Manitoba Wheat & Barley Growers Association                                                                              | 5,000               | 5,000               |
| Alberta Barley Commission                                                                                                | 5,000               | 5,000               |
|                                                                                                                          | <b>\$ 100,000</b>   | <b>\$ 100,000</b>   |
|                                                                                                                          | <b>\$ 3,614,404</b> | <b>\$ 9,559,326</b> |

## 10. COMMITMENTS

The Foundation has approved and is committed to the following research funding over the next five years as follows:

| YEAR       | ENDOWMENT FUND       | WHEAT FUND           | BARLEY FUND         | TOTAL                |
|------------|----------------------|----------------------|---------------------|----------------------|
| 2019       | 9,171,689            | 6,347,390            | 964,498             | 16,483,577           |
| 2020       | 11,471,086           | 2,461,952            | 347,192             | 14,280,230           |
| 2021       | 13,249,713           | 649,201              | 150,000             | 14,048,914           |
| 2022       | 9,876,202            | 557,401              | 150,000             | 10,583,603           |
| 2023       | 1,909,764            | -                    | -                   | 1,909,764            |
| Thereafter | 2,190,629            | -                    | -                   | 2,190,629            |
|            | <b>\$ 47,869,083</b> | <b>\$ 10,015,944</b> | <b>\$ 1,611,690</b> | <b>\$ 59,496,717</b> |

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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## 11. OPERATING LEASE

The lease for the office space occupied by the Foundation in 2018 expires March 31, 2021. The minimum annual lease payment under the agreement is \$115,092 plus Goods and Services tax.

Annual payments due in each of the next three years are as follows:

|      |         |
|------|---------|
| 2019 | 119,940 |
| 2020 | 123,226 |
| 2021 | 31,026  |

## 12. FINANCIAL INSTRUMENTS

The Foundation's recognized financial assets and liabilities consist of cash, cash and cash equivalents, accounts receivable, accrued interest receivable, investment in debt instruments, investment in equity securities, and accounts payable and accrued liabilities. The fair values of these items approximate their carrying values except for investments in debt instruments, the fair values of which are disclosed in Note 7.

### CREDIT RISK

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The Foundation is exposed to credit risk with respect to cash, cash and cash equivalents, accounts receivable and the accrued interest receivable. The Foundation assesses, on a continuous basis, accounts receivable on the basis of amounts it is virtually certain to receive. The credit risk with respect to cash and cash equivalents is insignificant since they are held in large financial institutions and is limited to the carrying amounts reported on the statement of financial position.

### INTEREST RATE RISK

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The Foundation is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed-rate instruments subject the Foundation to a fair value risk while the floating rate instruments subject it to a cash flow risk. The Foundation is exposed to this type of risk as a result of investments in debt securities.

### OTHER PRICE RISK

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Other price risk associated with investments in equity securities is the risk that their fair value will fluctuate because of changes in market prices. The Foundation mitigates this risk by regularly rebalancing its portfolio.

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