



WESTERN GRAINS
RESEARCH FOUNDATION
ANNUAL REPORT 2016

**Farmer Funded
Farmer Directed**

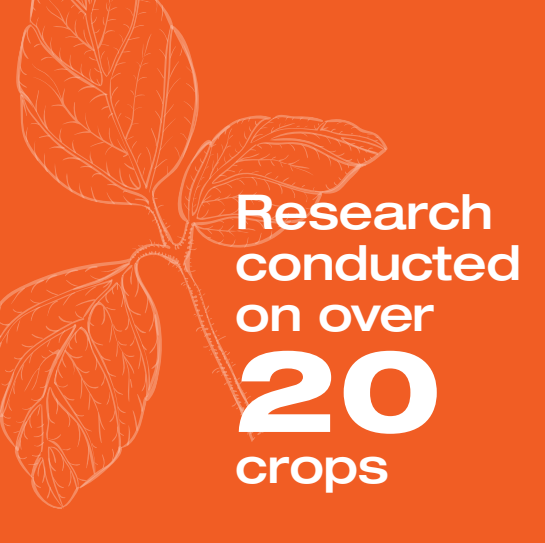
WGRF will continue to build on its unique strengths of being a **farmer-funded, farmer-directed** organization focused on **funding field crop research** for western Canadian farmers.



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Research
conducted
on over
20
crops



\$400,000

awarded in scholarships to attract
the brightest minds in crop research

WGRF has helped
fund more than

530 crop
research
projects

since **1981**

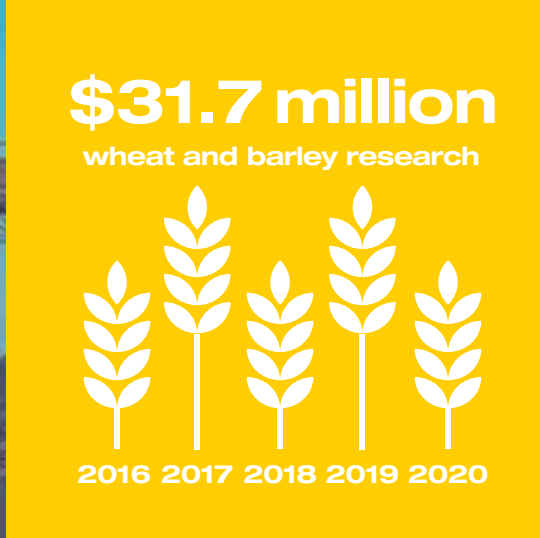


WGRF: AN OVERVIEW

The Western Grains Research Foundation (WGRF) is a farmer funded and directed non-profit organization investing in field crop research that benefits western Canadian producers. Since 1981, the WGRF Board has given producers a voice in agricultural research funding decisions. WGRF manages an Endowment Fund and the wheat and barley variety development check-off funds, investing over \$18 million annually into variety development and field crop research.



\$148 million+
invested in research
since 1981



CHAIR'S MESSAGE



2016 was a busy and exciting time for WGRF – we celebrated our 35th anniversary and surpassed a total investment of more than \$148 million into agricultural research. These milestones are not possible without the commitment of producers across Western Canada who believe funding and investing in research will lead to improving the way we farm.

Collaboration and long-term partnerships is a hallmark

of WGRF. As an organization, WGRF is recognized by researchers, governments, producer organizations, industry and funders as a significant funder of crop research.

WGRF has continued to lead the initiative to increase western Canada's agronomy research capacity. A leveraged investment of approximately \$500,000 has been committed by WGRF to the development of scientific leadership and technical support at the University of Manitoba (U of M). Discussions continue with the University of Alberta (U of A) and the University of Saskatchewan (U of S).

WGRF made major funding announcements in 2016 into the wheat and barley breeding programs at Agriculture and Agri-food Canada (AAFC), the U of A, the U of S and the U of M. These investments ensure that the work at these breeding programs will continue uninterrupted to the year 2020.

The Board held two strategic planning sessions in 2016 to review the current operating environment and to develop priorities for 2017 to 2020. Although WGRF is in transition, there are many opportunities to continue to fund research that will benefit western Canadian field crop producers. WGRF will continue to be involved in funding wheat and barley variety development beyond 2020 through the use of wheat and barley reserve funds. Building on WGRF's experience in leading agronomy research capacity, WGRF is well positioned to fund and lead research on whole farm integrated multi-crop issues.

We are proud of what makes our organization unique – our focus on funding research, our western Canadian membership base, and our multi-crop funding scope. As an organization, WGRF continues to adapt to changes in the industry. WGRF's experience, western Canadian approach to research, and strong financial position continues to offer producers the opportunity to invest in research now and into the future. I would like to thank you for your support of WGRF.

Dave Sefton

WGRF Board Chair

EXECUTIVE DIRECTOR'S MESSAGE



With over \$18 million invested into research in 2016 and 250 active projects, WGRF continues to be the largest producer funder of field crop research in Canada. We have well developed relationships for collaborative funding with producer organizations and at

the federal and provincial levels. This collaborative approach has allowed WGRF to invest over \$37.6 million into research over the last two years.

We were pleased to announce the renewal of the Core Wheat Breeding Agreements with Agriculture and Agri-food Canada (AAFC), the Universities of Alberta, Saskatchewan (Crop Development Centre) and Manitoba, and Alberta Agriculture and Forestry. WGRF also renewed the Core Barley Breeding Agreements at AAFC and the University of Saskatchewan (Crop Development Centre). The Core Breeding Agreements total more than \$31.7 million over the next five years and provide Wheat and Barley Commissions/Associations with the time required to plan for investment in variety development research at public breeding institutions.

WGRF is leading and funding the Systems Approach to Crop Sustainability Agri-Innovation Project under *Growing Forward 2*. We are also working with funding organizations from across Canada in the development of a national Integrated Crop Agronomy Cluster for submission to the next federal Agriculture Policy Framework (APF).

WGRF's communications and stakeholder relations programming has continued to grow. Our 35th anniversary magazine included feature-length stories, providing a historical reflection and several profiles of current and past research funded by WGRF. Fifty-six thousand copies of the magazine were distributed through high-profile trade publications and events.

WGRF will continue to build on its unique strengths of being a farmer-funded, farmer-directed organization focused on funding field crop research for western Canadian farmers.

I would like to thank the dedicated staff and Board Members of WGRF for their efforts this past year and look forward to a very successful 2017.

Garth Patterson

A handwritten signature in dark ink, appearing to read 'Garth Patterson', written over a light blue horizontal line.

WGRF Executive Director



over **100**
researchers
funded



Invested at
30
different research
institutions



WGRF welcomed
new directors in
2016

BOARD OF DIRECTORS

Dave Sefton, WGRF Chair, Broadview, SK

Dr. Keith Degenhardt,
WGRF Vice-Chair, Hughenden, AB

Bob Anderson, Dugald, MB

Don Dewar, Dauphin, MB

Dale Hicks, Outlook, SK

Jason Lenz, Bentley, AB

Todd Lewis, Regina, SK

Corey Loessin, Radisson, SK

Graeme Manness, Domain, MB

Robert Misko, Roblin, MB

Jeff Nielsen, Olds, AB

Malcolm Odermatt, Fort St. John, BC

Joe Rennick, Milestone, SK

Jason Skotheim, Spruce Home, SK

Glenn Tait, North Battleford, SK

Stewart Wells, Swift Current, SK

Doyle Wiebe, Langham, SK

Terry Young, Lacombe, AB

MEMBERSHIP

The WGRF 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 (Producer Organizations):

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 Members (Government):

Agriculture and Agri-Food Canada



STAFF

Garth Patterson, M.Sc., PAg

Executive Director

Gina Feist, B.Sc., Ag, MBA

Research Program Manager

Mike Espeseth, B.Comm

Communications Manager

Pat Flaten M.Sc., PAg

Research Program Manager

Candice Lajeunesse

Program Administrator

Barbara Kammerer, CPA, CMA

Finance Manager

Joelle Harris, B.S.A, PAg

Research Program Manager



Over
20
funding
partners




over **110**
farmers have
served as Directors
on the WGRF Board



NEW PROJECTS FUNDED IN 2016


Below is a listing of the 28 projects starting in 2016 for which WGRF approved funding. The projects can also be found online at westerngrains.com in a searchable database.

Researcher	Institution	Length	Amount	Project Title
Aaron Beattie	University of Saskatchewan	5 years	\$214,167	FHB screening of CDC barley selections, 2016-2020
Bill Biligetu	University of Saskatchewan	4 years	\$71,875	Development of locally adapted alfalfa cultivars in Saskatchewan
Anita Brûlé-Babel	University of Manitoba	3 years	\$128,201	Enhancing fusarium head blight research capacity to reduce mycotoxin contamination in wheat
Hector Carcamo	AAFC	3 years	\$121,395	Biology and management of pea leaf weevil in support of fababean and field pea production
Dani Degenhardt	Innotech Alberta Inc.	2 years	\$46,000	Evaluation of enhanced nitrogen-use efficiency products
Maria DeRosa	Carleton University	3 years	\$99,937	Scale up and validation of a low-cost paper-based test for mycotoxins
Maya Evenden	University of Alberta	3 years	\$52,347	Development of synthetic food bait traps to monitor multiple cutworm pests and minimize bee by-catch
Richard Farrell	University of Saskatchewan	3 years	\$108,030	Quantifying the contribution of pulse crop residues to GHG emissions, N nutrition, and the growth of a subsequent wheat crop
Myriam Fernandez	AAFC	3 years	\$68,678	Diversifying organic cropping options for the brown soils through intercropping
Laryssa Grenkow	Manitoba Pulse & Soybean Growers	1 years	\$30,475	Manitoba general and herbicide resistant weed surveys
Robert Gulden	University of Manitoba	2 years	\$26,667	Economic and biological implications of volunteer canola in soybean
Neil Harker	AAFC	5 years	\$171,334	Mitigating herbicide resistance – investigating novel integrated weed management systems
Christopher Holzapfel	Indian Head Agricultural Research Foundation	3 years	\$103,385	Optimal nitrogen and phosphorus management for flax
Randy Kutcher	University of Saskatchewan	3 years	\$120,750	Improving fusarium head blight management in durum wheat in Saskatchewan
Randy Kutcher	University of Saskatchewan	3 years	\$47,917	New sources of resistance to fusarium head blight in spring wheat
Bart Ladner	Prairie Agricultural Machinery Institute	3 years	\$54,995	Validating the stage of maturity at harvest for barley, oat and triticale for swath grazing
Sharla Pearce	BC Grain Producers Assn	2 years	\$264,265	Grain, oilseed and pulse breeding variety trials



Researcher	Institution	Length	Amount	Project Title
Gary Peng	AAFC	3 years	\$66,700	Enhancing the durability of clubroot with multiple genes
Art Schaafsma	University of Guelph	3 years	\$14,232	Best management practices and surveillance for OTA in post farm grain storage
Andrew Sharppe	National Research Council	5 years	\$236,502	Canadian wheat-NAM (Can-NAM): capturing genetic variation for Canadian wheat improvement
Claudia Sheedy	AAFC	3 years	\$69,000	Development of an immuno-PCR for the detection of pea root rot causal agent, <i>Aphanomyces euteiches</i>
Elemir Simko	University of Saskatchewan	3 years	\$144,900	Toxicopathological determination of safe dose ranges of neonicotinoids for honey bee colonies
Elaine Sopiwnyk	CIGI	2 years	\$158,442	Effect of genotype and environment on pulse flour quality and baking performance
Dean Spaner	University of Alberta	3 years	\$252,000	Integrated management of stripe rust in wheat for Alberta
Mario Tenuta	University of Manitoba	1.5 years	\$36,857	<i>Verticillium longisporum</i> in Manitoba: understanding the pathogen and establishing surveillance capacity
Bert Vandenberg	University of Saskatchewan	5 years	\$359,375	Faba beans for the future – N-telligent farming
Tom Warkentin	University of Saskatchewan	3 years	\$175,880	Marker assisted introgression of useful new diversity into the pea genome for rapid cultivar improvement
Tom Warkentin	University of Saskatchewan	2 years	\$176,058	Technology platform for comprehensive nutritional profiling of seeds

\$18 million+
invested into
250+
active projects in
2016




The wheat and barley **breeding** programs continue **uninterrupted** to the year **2020**

\$456 million
= net benefits of
Midge Tolerant Wheat



37:1
= benefit cost ratio of
the Midge Tolerant Wheat
innovation

15 industry and
producer events
sponsored

35th
anniversary
commemorations

57,000+
magazines distributed



120+
field signs
distributed

WGRF Board
approved a new
4 year
management
plan



FARMER FUNDED FARMER DIRECTED RESEARCH

Producers Have Invested over \$148 Million in Breeding and Crop Research Through WGRF Since 1981

> READ MORE

For more information on **WGRF's funding** and **research programming** as well as a **searchable project listing**, visit: **westerngrains.com**

WGRF FUNDED RESEARCH



> RESET

> SEARCH





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INDEPENDENT AUDITOR'S REPORT

TO THE DIRECTORS OF WESTERN GRAINS RESEARCH FOUNDATION

We have audited the accompanying financial statements of Western Grains Research Foundation ("the Foundation") which comprise the statement of financial position as at December 31, 2016, and the statements of operations and changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

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, 2016, and December 31, 2015, current assets as of December 31, 2016, and December 31, 2015, and fund balances as at January 1 and December 31, for both the 2015 and 2016 years. Our audit opinion on the financial statements for the year ended December 31, 2016 was modified accordingly, because the possible effects of this scope limitation.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Chartered Professional Accountants
Licensed Professional Accountants

February 13, 2017
Saskatoon, Saskatchewan



STATEMENT OF FINANCIAL POSITION

as at December 31, 2016

	2016	2015
CURRENT ASSETS		
Cash	\$ 754,007	\$ 445,240
Cash and short-term notes held by investment dealer	16,901,074	9,644,971
Accounts receivable	5,000,471	10,983,962
Prepaid expenses	6,923	6,952
Accrued interest receivable	340,763	376,977
Investments in debt instruments (Note 6)	42,884,334	44,676,066
Investments in equity securities	101,138,359	97,280,389
	<u>167,025,931</u>	<u>163,414,557</u>
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	<u>37,513</u>	<u>97,674</u>
FUND BALANCES (Note 3)		
Capital Fund	9,066,972	9,066,972
Endowment Fund (Schedule 1)	120,625,926	117,453,645
Wheat Fund (Schedule 2)	34,550,594	34,061,737
Barley Fund (Schedule 3)	2,744,926	2,734,529
	<u>166,988,418</u>	<u>163,316,883</u>
	\$ <u>167,025,931</u>	\$ <u>163,414,557</u>

See accompanying notes.

Approved by the board:



Dave Sefton
DIRECTOR



Dr. Keith J. Degenhardt
DIRECTOR



STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

year ended December 31, 2016

	2016	2015
REVENUES		
Payments received from producers	\$ 7,470,068	\$ 8,271,707
Unrealized gain (loss) on investments (Note 7)	1,621,520	(3,679,983)
Investment income	3,641,682	3,231,625
Other income (Note 8)	6,732,469	10,794,385
Royalties	1,875,517	1,918,625
Gain on sale of investments (Note 7)	2,094,034	8,199,933
Foreign exchange gain (loss)	8,483	56,660
	<u>23,443,773</u>	<u>28,792,952</u>
EXPENDITURES		
Research funding	18,082,704	19,679,461
Operating & program expenses (Schedule 4)	1,689,534	1,853,136
Royalty research funding	-	16,500
	<u>19,772,238</u>	<u>21,549,097</u>
Excess of revenue over expenditures for the year	3,671,535	7,243,855
Fund balances, beginning of year	163,316,883	156,073,028
FUND BALANCES, END OF YEAR	<u>\$ 166,988,418</u>	<u>\$ 163,316,883</u>

See accompanying notes.



STATEMENT OF CASH FLOWS

year ended December 31, 2016

	2016	2015
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Excess of revenue over expenditures for the year	\$ 3,671,535	\$ 7,243,855
Items not affecting cash		
Unrealized loss (gain) on investments	(1,621,520)	3,679,983
Amortization of net premiums on bonds	9,731	(44,762)
Gain on sale of investments	(2,094,034)	(8,199,933)
Changes in non-cash working capital	5,959,573	(9,273,907)
	<u>5,925,285</u>	<u>(6,594,764)</u>
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Purchase of investments	(60,737,759)	(70,286,840)
Proceeds on investments redeemed	62,377,344	71,910,303
	<u>1,639,585</u>	<u>1,623,463</u>
Increase (decrease) in cash during the year	7,564,870	(4,971,301)
Cash position, beginning of year	10,090,211	15,061,512
Cash position, end of year	<u>17,655,081</u>	<u>10,090,211</u>
CASH IS COMPRISED OF		
Operating cash	754,007	445,240
Cash and short-term notes held by investment dealer	16,901,074	9,644,971
	<u>\$ 17,655,081</u>	<u>\$ 10,090,211</u>

See accompanying notes.



SCHEDULE 1: ENDOWMENT FUND OPERATIONS AND CHANGES IN FUND BALANCE

year ended December 31, 2016

	2016	2015
REVENUES		
Investment income	\$ 2,865,536	\$ 2,543,445
Other income (Note 8)	5,013,244	10,055,733
Gain on sale of investments (Note 7)	2,027,766	7,800,745
Unrealized gain (loss) on investments (Note 7)	945,564	(3,921,297)
Foreign exchange gain	24,589	91,674
	<u>10,876,699</u>	<u>16,570,300</u>
EXPENDITURES		
Research funding		
Variety Development	3,125,516	3,182,201
Agronomy	2,296,870	2,970,237
Post Harvest Management	576,751	853,689
Minor Crop Development	402,082	755,256
Crop Risk Management	205,263	673,468
Crop Utilization	115,428	217,412
	<u>6,721,910</u>	<u>8,652,263</u>
Operating & program expenses (Schedule 4)	982,508	1,024,238
	<u>7,704,418</u>	<u>9,676,501</u>
Excess of revenue over expenditures for the year	3,172,281	6,893,799
Endowment fund, beginning of year	117,453,645	110,559,846
ENDOWMENT FUND, END OF YEAR	<u>\$ 120,625,926</u>	<u>\$ 117,453,645</u>

See accompanying notes.



SCHEDULE 2: WHEAT FUND OPERATIONS AND CHANGES IN FUND BALANCE

year ended December 31, 2016

		2016	2015
OPERATING ACCOUNT	REVENUES		
	Payments received from producers (Note 2)	\$ 6,626,099	\$ 7,478,968
	Royalties	1,734,480	1,790,963
	Other income (Note 8)	1,529,225	738,652
	Investment income	718	1,217
		<u>9,890,522</u>	<u>10,009,800</u>
	EXPENDITURES		
	Research funding		
	Agriculture and Agri-Food Canada	6,346,223	6,111,682
	University of Saskatchewan	1,822,562	1,924,782
	University of Manitoba	847,455	789,782
	CEROM	397,340	423,381
	University of Alberta	371,058	304,852
	University of Guelph	273,214	242,063
	National Research Council	48,285	114,506
	Alberta Agriculture and Rural Development	<u>61,834</u>	<u>61,700</u>
		10,167,971	9,972,748
	Royalty research funding	-	16,500
	Operating & program expenses (Schedule 4)	<u>626,925</u>	<u>729,379</u>
		<u>10,794,896</u>	<u>10,718,627</u>
	Excess of revenue over expenditures for the year	(904,374)	(708,827)
	Transfer from wheat reserve account	1,283,001	482,349
	Operating account, beginning of year	<u>1,280,011</u>	<u>1,506,489</u>
	OPERATING ACCOUNT, END OF YEAR	<u>1,658,638</u>	<u>1,280,011</u>
RESERVE ACCOUNT	Investment income	715,864	625,052
	Gain on sale of investments (Note 7)	45,798	333,226
	Unrealized gain on investments (Note 7)	641,410	242,285
	Foreign exchange loss	<u>(9,841)</u>	<u>(26,285)</u>
	Reserve income for the year	1,393,231	1,174,278
	Transfer from wheat operating account	<u>(1,283,001)</u>	<u>(482,349)</u>
	Reserve account, beginning of year	<u>32,781,726</u>	<u>32,089,797</u>
	RESERVE ACCOUNT, END OF YEAR	<u>32,891,956</u>	<u>32,781,726</u>
	WHEAT FUND, END OF YEAR	<u>\$ 34,550,594</u>	<u>\$ 34,061,737</u>

See accompanying notes.



SCHEDULE 3: BARLEY FUND OPERATIONS AND CHANGES IN FUND BALANCE

year ended December 31, 2016

		2016	2015
OPERATING ACCOUNT	REVENUES		
	Payments received from producers (Note 2)	\$ 843,969	\$ 792,739
	Other income (Note 8)	190,000	-
	Royalties	141,037	127,662
	Investment income	103	174
		<u>1,175,109</u>	<u>920,575</u>
	EXPENDITURES		
	Research funding		
	Agriculture and Agri-Food Canada	266,896	249,480
	Alberta Barley Commission	325,278	296,197
RESERVE ACCOUNT	University of Saskatchewan	565,286	471,190
	University of Manitoba	35,363	36,083
	British Columbia Grain Producers Association	-	1,500
		<u>1,192,823</u>	<u>1,054,450</u>
	Operating & program expenses (Schedule 4)	80,101	99,519
		<u>1,272,924</u>	<u>1,153,969</u>
	Excess of expenditures over revenue for the year	(97,815)	(233,394)
	Transfer from barley reserve account	83,884	277,167
	Operating account, beginning of year	127,673	83,900
	OPERATING ACCOUNT, END OF YEAR	<u>113,742</u>	<u>127,673</u>
RESERVE ACCOUNT	Investment income	59,461	61,737
	Gain on sale of investments (Note 7)	20,470	65,962
	Unrealized gain (loss) on investments (Note 7)	34,546	(971)
	Foreign exchange loss	(6,265)	(8,729)
		<u>108,212</u>	<u>117,999</u>
	Reserve income for the year	108,212	117,999
	Transfer to barley operating account	(83,884)	(277,167)
	Reserve account, beginning of year	2,606,856	2,766,024
	RESERVE ACCOUNT, END OF YEAR	<u>2,631,184</u>	<u>2,606,856</u>
	BARLEY FUND, END OF YEAR	<u>\$ 2,744,926</u>	<u>\$ 2,734,529</u>

See accompanying notes.



SCHEDULE 4: OPERATING AND PROGRAM EXPENDITURES

year ended December 31, 2016

	Endowment Fund	Wheat Fund	Barley Fund	2016	Total 2015
EXPENDITURES					
Wages and benefits	\$ 491,630	\$ 286,784	\$ 40,969	\$ 819,383	\$ 769,491
Communications	86,906	161,954	10,797	259,657	317,254
Scholarships	112,000	7,000	1,000	120,000	100,000
Office (Note 10)	111,988	65,326	9,332	186,646	270,337
Professional fees	22,701	13,242	1,892	37,835	27,261
Consulting fees	14,180	8,272	1,182	23,634	109,931
Travel and other	98,819	65,180	11,055	175,054	193,114
Directors per diems	44,284	19,167	3,874	67,325	65,748
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
OPERATING AND PROGRAM EXPENDITURES FOR THE YEAR	\$ <u>982,508</u>	\$ <u>626,925</u>	\$ <u>80,101</u>	\$ <u>1,689,534</u>	\$ <u>1,853,136</u>

See accompanying notes.





NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

1

DESCRIPTION OF THE FOUNDATION

Western Grains Research Foundation (the “Foundation” or “WGRF”) is a farmer funded and directed not-for-profit organization investing primarily in wheat and barley variety development as well as other agricultural 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.

Revenue earned by the wheat and barley funds consists primarily of payments received from producers. Under federal legislation effective August 1, 2012 through July 31, 2017, licensed grain buyers must deduct the producer check-off at the point of sale. Amounts deducted are remitted to the Alberta Barley Commission (“ABC”) for administration. ABC remits the amounts to the Foundation net of an administration fee and a holdback fee for refunds.

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.

Prior to August 1, 2012, producer check-off revenue was collected by the Canadian Wheat Board (“CWB”) via a deduction from the final payments on grain sold by producers in a particular crop year and remitted to the Foundation. The federal government repealed the Canadian Wheat Board Act on August 1, 2012.

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, 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 2016, the CTA directed CN to pay the Foundation \$1,094,009 (Note 8) for the 2015/16 crop year and also directed CP to pay the Foundation \$3,555,807 (Note 8) for the 2015/16 crop year. In 2015 CN paid the Foundation \$7,209,925 (Note 8) and CP paid the Foundation \$2,244,026 as per CTA award for the 2014/15 crop year (Note 8).

INVESTMENT INCOME

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

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



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ROYALTIES

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 revenue and expenditures. 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

The Foundation initially measures its financial assets and financial liabilities at fair value. It subsequently measures investments in equity securities at fair value. Other financial assets and financial liabilities including cash, cash and short-term notes held by investment dealer, accounts receivable, accrued interest receivable, investments in debt instruments and accounts payable and accrued liabilities are subsequently measured at amortized cost.

USE OF ESTIMATES

The preparation of financial statements in conformity with NPO accounting standards 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.

OPERATING LEASES

Operating lease payments are recognized on a straight-line basis over the term of the lease.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

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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 grant 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 current federal regulations effective August 1, 2012 through July 31, 2017, licensed grain buyers are required to deduct a 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 is directed to market development and technical assistance and administration. ABC remits the amount directed for research to the Foundation. WGRF receives \$0.30 per tonne for wheat and \$0.50 per tonne for barley, less amounts retained for future producer refunds. The funds are invested and directed to fund research projects for wheat and barley. Prior to August 1, 2012, the wheat and barley producers had the option to have \$0.30 per tonne for wheat and \$0.50 per tonne for barley deducted from their final CWB payment. As of December 31, 2015 all funding received by WGRF from the CWB payments had been spent on research and operations.

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).

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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.

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GST REFUNDS

The Foundation is entitled to a rebate of 50% of the GST paid in the year. This rebate is calculated and claimed semi-annually and the related expense accounts have been reduced for the GST receivable by the Foundation.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

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INVESTMENT IN DEBT INSTRUMENTS

Investment Type & Maturity	Effective Interest Rates	2016		2015	
		Amortized Cost	Market Value	Amortized Cost	Market Value
Endowment Fund					
Corporate Bonds including Bond Strip Instruments					
2018	1.89% - 2.09%	\$ 1,914,368	\$ 1,931,270	\$ 1,924,058	\$ 1,944,300
2019	2.37%	1,000,800	1,020,400	1,001,008	1,017,700
Corporate Long Bond Bear Note					
2019	0.80% (*)	5,000,000	4,971,433	5,000,000	4,952,044
Provincial Bonds					
2025		2,994,166	2,886,180	-	-
Guaranteed Investment Certificates					
2016	1.81% - 2.62%	-	-	12,800,000	12,800,000
2017	1.65% - 2.30%	9,800,000	9,800,000	7,800,000	7,800,000
2018	2.45% - 2.56%	6,400,000	6,400,000	3,400,000	3,400,000
2019	2.10%	4,240,000	4,240,000	2,040,000	2,040,000
2020	2.30%	115,000	115,000	-	-
Step-Up Note - extendable to 2021. Interest rate increases 0.25% annually if extended					
2017	1.75%	1,000,000	1,000,000	-	-
Total Endowment Fund		\$ 32,464,334	\$ 32,364,283	\$ 33,965,066	\$ 33,954,044



INVESTMENT IN DEBT
INSTRUMENTS (CONTINUED)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

Investment Type & Maturity	Effective Interest Rates	2016		2015	
		Amortized Cost	Market Value	Amortized Cost	Market Value
Wheat Fund:					
Corporate Long Bond Bear Note					
2019	0.80% (*)	\$ 2,000,000	\$ 1,988,574	\$ 2,000,000	\$ 1,980,818
Guaranteed Investment Certificates					
2016	1.81% - 2.27%	-	-	4,950,000	4,950,000
2017	1.65% - 2.36%	4,295,000	4,295,000	1,600,000	1,600,000
2018	1.75% - 2.50%	2,650,000	2,650,000	700,000	700,000
2019	2.10%	700,000	700,000	700,000	700,000
Step-Up Note - extendable to 2021. Interest rate increases 0.25% annually if extended					
2017	1.75%	250,000	250,000	-	-
Total Wheat Fund		\$ 9,895,000	\$ 9,883,574	\$ 9,950,000	\$ 9,930,818
Barley Fund:					
Guaranteed Investment Certificates					
2016	1.81% - 2.35%	\$ -	\$ -	\$ 411,000	\$ 411,000
2017	1.80% - 2.02%	415,000	415,000	350,000	350,000
2018	1.75% - 2.01%	110,000	110,000	-	-
Total Barley Fund		525,000	525,000	761,000	761,000
Total All Funds		\$ 42,884,334	\$ 42,772,857	\$ 44,676,066	\$ 44,645,862

*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

FOR THE YEAR ENDED DECEMBER 31, 2016

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ACCUMULATED UNREALIZED GAINS ON INVESTMENT IN EQUITY SECURITIES

Endowment Fund	2016	2015
Change in unrealized gains during the year	\$ 2,973,330	\$ 3,879,448
Recognition of realized gains during the year	(2,027,766)	(7,800,745)
	<u>945,564</u>	<u>(3,921,297)</u>
Unrealized gains in opening fund balance	12,324,127	16,245,424
	<u>\$ 13,269,691</u>	<u>\$ 12,324,127</u>

Wheat Fund	2016	2015
Change in unrealized gains during the year	\$ 687,208	\$ 575,511
Recognition of realized gains during the year	(45,798)	(333,226)
	<u>641,410</u>	<u>242,285</u>
Unrealized gains in opening fund balance	1,585,826	1,343,541
	<u>\$ 2,227,236</u>	<u>\$ 1,585,826</u>

Barley Fund	2016	2015
Change in unrealized gains during the year	\$ 55,016	\$ 64,991
Recognition of realized gains during the year	(20,470)	(65,962)
	<u>34,546</u>	<u>(971)</u>
Unrealized gains in opening fund balance	162,638	163,609
	<u>\$ 197,184</u>	<u>\$ 162,638</u>

Total, All Funds	2016	2015
Change in unrealized gains during the year	\$ 3,715,554	\$ 4,519,950
Recognition of realized gains during the year	(2,094,034)	(8,199,933)
	<u>1,621,520</u>	<u>(3,679,983)</u>
Unrealized gains in opening fund balance	14,072,591	17,752,574
	<u>\$ 15,694,111</u>	<u>\$ 14,072,591</u>



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

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OTHER INCOME

Endowment Fund	2016	2015
CTA order for CN to pay WGRF for exceeding its Maximum Revenue Entitlement for grain movement for 2015-2016	\$ 1,094,009	\$ -
CTA order for CP to pay WGRF for exceeding its Maximum Revenue Entitlement for grain movement for 2015-2016	3,555,807	-
CTA order for CN to pay WGRF for exceeding its Maximum Revenue Entitlement for grain movement for 2014-2015	-	7,209,925
CTA order for CP to pay WGRF for exceeding its Maximum Revenue Entitlement for grain movement for 2014-2015	-	2,244,026
Agriculture and Agri-Food Canada funding for research costs of the Systems Approach to Agronomy research program	333,071	571,425
Agriculture and Agri-Food Canada funding for operations costs of the Systems Approach to Agronomy research program	30,357	30,357
	<u>\$ 5,013,244</u>	<u>\$ 10,055,733</u>
Wheat Fund	2016	2015
CFCRA funding for research under the National Wheat Improvement Plan program	\$ 347,187	\$ 347,187
Alberta Wheat Commission funding for research under the National Wheat Improvement Plan program	269,120	269,120
Agriculture and Agri-Food Canada funding for operations costs of the National Wheat Improvement Plan research program	99,600	99,592
Agriculture and Agri-Food Canada funding for research under the National Wheat Improvement Plan research program	813,318	22,753
	<u>\$ 1,529,225</u>	<u>\$ 738,652</u>
Barley Fund	2016	2015
Sask. Barley Commission funding for research funding agreement with the U of S	\$ 180,000	\$ -
Manitoba Wheat & Barley Growers Association funding for research funding agreement with the U of S	10,000	-
	<u>190,000</u>	<u>-</u>
	<u>\$ 6,732,469</u>	<u>\$ 10,794,385</u>



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

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COMMITMENTS

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

	Endowment Fund	Wheat Fund	Barley Fund	Total
2017	\$ 6,388,580	\$ 10,662,673	\$ 1,089,833	\$ 18,141,086
2018	3,961,999	7,846,090	775,128	12,583,217
2019	1,911,033	5,750,450	661,336	8,322,819
2020	752,865	1,849,962	197,192	2,800,019
2021	594,330	41,062	-	635,392
	<u>\$ 13,608,807</u>	<u>\$ 26,150,237</u>	<u>\$ 2,723,489</u>	<u>\$ 42,482,533</u>

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OPERATING LEASE

The minimum annual lease payments under the operating lease for office space for the year ended October 31, 2016 amounts to \$103,256 plus Goods and Services tax.

Non-cancellable operating lease commitments up to March 31, 2018 is as follows:

	2016	2015
Within one year	\$ 105,264	\$ 102,551
After one year and between three years	<u>26,486</u>	<u>131,750</u>
	<u>\$ 131,750</u>	<u>\$ 234,301</u>



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

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FINANCIAL INSTRUMENTS

The Foundation's recognized financial assets and liabilities consist of cash, cash and short-term notes held by investment dealer, 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 6.

CREDIT RISK

The Foundation is exposed to credit risk with respect to cash, cash and short-term notes held by investment dealer, 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 short-term notes 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

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

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.

CURRENCY RISK

Currency risk is the risk that the financial asset will fluctuate because of changes in foreign exchange rates. The Foundation is exposed to this type of risk as a result of its investments in securities.

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OUTCOME OF CONTINGENCIES

In 2014, the Canadian National Railway (CN) filed an appeal on \$3,942,064 of the Canadian Transport Authority (CTA) Decision on Maximum Revenue Entitlement for the 2013/14 crop year. In January of 2016, CN also filed an appeal and a stay on payment on the \$7,209,925 award for the 2014/15 crop year. CN was challenging the manner in which the CTA determined the amounts.

In March of 2016, the Federal Court of Appeal dismissed CN's request for a stay on payment of the \$7,209,925 awarded for the 2014/15 crop year. WGRF subsequently received full payment in the current financial year. In November, 2016, the Federal Court of Appeal dismissed the (CN's) appeal of \$3,942,064 for the 2013/14 crop year. In December 2016 CN filed a Notice of Discontinuance on its appeal of the 2014/15 crop year.



