



**Grant Thornton**

**Financial Statements**

**Chicken Farmers of Newfoundland and Labrador**

**December 31, 2018**

# Contents

	<b>Page</b>
Statement of Responsibility	1
Independent Auditors' Report	2-3
Statement of Financial Position	4
Statements of Operations and Changes in Accumulated Surplus	5
Statement of Changes in Net Financial Assets	6
Statement of Cash Flows	7
Notes to the Financial Statements	8-11
Schedule of Expenses	12

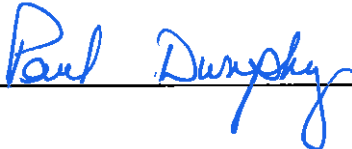

# Statement of Responsibility

The accompanying financial statements are the responsibility of the management of the Chicken Farmers of Newfoundland and Labrador (the "Board") and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Chartered Professional Accountants.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that financial information produced is relevant and reliable.

The Board met with management and its external auditors to review a draft of the financial statements and to discuss any significant financial reporting or internal control matters prior to their approval of the finalized financial statements.

Grant Thornton LLP as the Board's appointed external auditors, have audited the financial statements. The auditor's report is addressed to the Directors of the Board and appears on the following page. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to obtain reasonable assurance that the financial statements are free of material misstatement and present fairly the financial position and results of the Board in accordance with Canadian public sector accounting standards.

 Chair  Director

# Independent auditor's report

---

Grant Thornton LLP  
Suite 300  
15 International Place  
St. John's, NL  
A1A 0L4  
T +1 709 778 8800  
F +1 709 722 7892

To the Directors of Chicken Farmers of Newfoundland and Labrador

## **Opinion**

We have audited the financial statements of Chicken Farmers of Newfoundland and Labrador ("the Entity"), which comprise the statement of financial position as at December 31, 2018, and the statements of operations and changes in accumulated surplus, changes in net financial assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Chicken Farmers of Newfoundland and Labrador as at December 31, 2018, and the results of its operations and changes in accumulated surplus, its changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

## **Basis for opinion**

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

## **Responsibilities of management and those charged with governance for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

### **Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

- As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Entity 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.

St. John's, Canada  
February 27, 2019



Chartered Professional Accountants

## Chicken Farmers of Newfoundland and Labrador Statement of Financial Position

December 31	2018	2017
<b>Financial assets</b>		
Cash and cash equivalents	\$ 185,794	\$ 164,868
Receivables (Note 5)	38,659	13,689
Investments	<u>43,283</u>	<u>42,931</u>
	<u>267,736</u>	<u>221,488</u>
<b>Liabilities</b>		
Payables and accruals	23,730	21,907
Accrued severance pay	<u>16,181</u>	<u>14,710</u>
	<u>39,911</u>	<u>36,617</u>
<b>Net financial assets</b>	<u>227,825</u>	<u>184,871</u>
<b>Non-financial assets</b>		
Prepaid expenses	2,994	2,166
Tangible capital assets (Note 6)	<u>4,226</u>	<u>5,283</u>
	<u>7,220</u>	<u>7,449</u>
<b>Accumulated surplus</b>	<u>\$ 235,045</u>	<u>\$ 192,320</u>

On behalf of the Board

Paul Dumphy

Chair

Paul Anne Walsh

Director

See accompanying notes to the financial statements.

## Chicken Farmers of Newfoundland and Labrador Statements of Operations and Changes in Accumulated Surplus

Year Ended December 31	Actual 2018	Budget 2018	Actual 2017
Revenue			
Levies	\$ 354,119	\$ 318,000	\$ 298,801
Interest and miscellaneous	<u>1,374</u>	<u>387</u>	<u>548</u>
	<u>355,493</u>	<u>318,387</u>	<u>299,349</u>
Expenses (Page 12)			
Administration	99,602	110,402	97,701
Regulatory	163,488	152,914	144,311
Promotion	28,434	29,188	28,255
Facilitation	<u>21,244</u>	<u>23,584</u>	<u>22,362</u>
	<u>312,768</u>	<u>316,088</u>	<u>292,629</u>
Annual surplus	<u>\$ 42,725</u>	<u>\$ 2,299</u>	<u>\$ 6,720</u>
Accumulated surplus, beginning of year	\$ 192,320	\$ 192,320	\$ 185,600
Annual surplus	<u>42,725</u>	<u>2,299</u>	<u>6,720</u>
Accumulated surplus, end of year	<u>\$ 235,045</u>	<u>\$ 194,619</u>	<u>\$ 192,320</u>

See accompanying notes to the financial statements.

---

## Chicken Farmers of Newfoundland and Labrador Statement of Changes in Net Financial Assets

Year Ended December 31	Actual 2018	Budget 2018	Actual 2017
Annual surplus	\$ 42,725	\$ 2,299	\$ 6,720
Amortization of tangible capital assets	1,057	1,600	1,321
Increase in prepaid expenses	<u>(828)</u>	<u>-</u>	<u>(49)</u>
Increase in net assets	42,954	3,899	7,992
Net financial assets, beginning of year	<u>184,871</u>	<u>184,871</u>	<u>176,879</u>
Net financial assets, end of year	<u>\$ 227,825</u>	<u>\$ 188,770</u>	<u>\$ 184,871</u>

---

See accompanying notes to the financial statements.

---



## Chicken Farmers of Newfoundland and Labrador Statement of Cash Flows

Year Ended December 31 2018 2017

Increase in cash and cash equivalents		
<b>Operating</b>		
Annual surplus	\$ 42,725	\$ 6,720
Change in non-cash items		
Accrued severance pay	1,471	3,285
Amortization	1,057	1,321
Receivables	(24,970)	13,384
Prepaid expenses	(828)	(50)
Payables and accruals	<u>1,823</u>	<u>(11,104)</u>
Cash provided by operating transactions	<u>21,278</u>	<u>13,556</u>
<b>Investing</b>		
Increase in investments	<u>(352)</u>	<u>(349)</u>
Increase in cash and cash equivalents	20,926	13,207
Cash and cash equivalents, beginning of year	<u>164,868</u>	<u>151,661</u>
Cash and cash equivalents, end of year	<u>\$ 185,794</u>	<u>\$ 164,868</u>

See accompanying notes to the financial statements.

---

# Chicken Farmers of Newfoundland and Labrador

## Notes to the Financial Statements

December 31, 2018

---

### 1. Nature of operations

The Chicken Farmers of Newfoundland and Labrador was established in 1980 by the *Newfoundland and Labrador Chicken Marketing Scheme, 1980*, under the *Natural Products Marketing Act, 1973 (Act)*, to provide for the effective promotion, control and regulation of the production and marketing of chicken in Newfoundland and Labrador. The Board is responsible for administering the regulations as provided for in the Act under the laws of the Province of Newfoundland and Labrador.

---

### 2. Chicken Farmers of Canada

Pursuant to authority given to it under the Farm Products Marketing Act of Canada, the Chicken Farmers of Canada (CFC) collects levies from provincial commodity boards. The Chicken Farmers of Newfoundland and Labrador collects these levies directly from the processor and remits them to CFC. There were \$118,040 of levies collected in 2018 (2017 - \$99,600).

---

### 3. Summary of significant accounting policies

#### Basis of presentation

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Chartered Professional Accountants and reflect the following significant accounting policies.

#### Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the period. Items requiring the use of significant estimates include the useful life of capital assets, accrued severance, and impairment of assets.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

#### Levies

The Board charges levies to the producer based on volume of chicken marketed in Newfoundland and Labrador. Revenue is recognized when the chicken is produced/marketed and collectability is reasonably assured.

---

---

## Chicken Farmers of Newfoundland and Labrador Notes to the Financial Statements

December 31, 2018

---

### 3. Summary of significant accounting policies (cont'd.)

#### Grant revenue

Revenue from grants is recognized as deferred revenue when amounts have been received but not all eligibility criteria have been met.

#### Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks, and short term investments with maturities of three months or less. Bank borrowings are considered to be financing activities.

#### Investments

Non-redeemable guaranteed investment certificates are classified as investments. Interest related to these investments is accrued as earned. The carrying value of these investments approximates their fair value.

#### Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives generally extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the change in net financial assets for the year.

#### Tangible capital assets

Tangible capital assets are recorded at cost. Depreciation is provided annually at rates calculated to write off the assets over their estimated useful life as follows, except in the year of acquisition when one half of the rate is used.

Furniture and equipment	20%, declining balance
-------------------------	------------------------

#### Accrued severance pay

Severance pay will be awarded at the rate of one week of salary per year of service to a maximum of 20 weeks and is calculated based upon current salary levels. The amount is payable when the employee ceases employment with the Board.

---

---

## Chicken Farmers of Newfoundland and Labrador

### Notes to the Financial Statements

December 31, 2018

---

#### 3. Summary of significant accounting policies (cont'd.)

##### Financial instruments

The Board considers any contract creating a financial asset, liability or equity instrument as a financial instrument, except in certain limited circumstances. The Board accounts for the following as financial instruments:

- cash and cash equivalents;
- receivables;
- investments; and
- accounts payable

A financial asset or liability is recognized when the Board becomes party to contractual provisions of the instrument.

The Board initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The Board subsequently measures its financial assets and financial liabilities at cost or amortized cost, except for derivatives and equity securities quoted in an active market, which are subsequently measured at fair value. Changes in fair value are recognized in annual surplus.

Financial assets measured at cost include cash and cash equivalents and receivables. Financial assets measured at fair value include investments. Financial liabilities measured at cost include accounts payable.

The Board removes financial liabilities, or a portion of, when the obligation is discharged, cancelled or expires.

Financial assets measured at cost are tested for impairment when there are indicators of impairment. Previously recognized impairment losses are reversed to the extent of the improvement provided the asset is not carried at an amount, at the date of the reversal, greater than the amount that would have been the carrying amount had no impairment loss been recognized previously. The amounts of any write-downs or reversals are recognized in net annual surplus.

---

#### 4. Operating agreement

The Chicken Farmers of Newfoundland and Labrador has entered into an agreement with the other provincial boards known as the Operating Agreement. This agreement provides for levy assessment should a province over produce its allocation from CFC.

As part of this agreement, the Chicken Farmers of Newfoundland and Labrador has filed a letter of credit to CFC in respect of any possible over marketing levies assessed. The letter of credit as at December 31, 2018 was \$28,658 (2017 - \$28,658).

---

## Chicken Farmers of Newfoundland and Labrador Notes to the Financial Statements

December 31, 2018

5. Receivables	<u>2018</u>	<u>2017</u>
Levies	\$ 38,049	\$ 13,689
Travel advances	<u>610</u>	<u>-</u>
	<u>\$ 38,659</u>	<u>\$ 13,689</u>

6. Tangible capital assets			<u>2018</u>	<u>2017</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Furniture and equipment	<u>\$ 41,954</u>	<u>\$ 37,728</u>	<u>\$ 4,226</u>	<u>\$ 5,283</u>

### 7. Financial instruments

#### Risks and concentrations

The Board is exposed to various risks through its financial instruments. The following analysis provides a measure of the Board's risk exposure and concentrations at December 31, 2018.

#### Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Board's main credit risk relates to its receivables of \$38,659 (2017 - \$13,689). The Board only receives levies, which are legislated by the Province, from one producer and in the opinion of management the credit risk exposure to the Board is low. There has been no significant change in credit risk exposure from the prior year.

#### Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Board is exposed to this risk mainly in respect of its payables and accruals in the amount of \$23,730 (2017 - \$21,907). The Board reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due. In the opinion of management the liquidity risk exposure to the Board is low and not material. There has been no significant change in liquidity risk exposure from the prior year.

### 8. Economic dependence

Approximately 99% (2017 - 99%) of revenue relates to producer levies collected from Country Ribbon Inc. The loss of this revenue could have a material adverse impact on the Board's operating results and financial position.

## Chicken Farmers of Newfoundland and Labrador Schedule of Expenses

December 31	2018	2017
<b>Administration</b>		
Amortization	\$ 1,057	\$ 1,321
Federation of Agriculture	12,000	12,000
Honorariums	13,000	12,000
Insurance	1,630	1,608
Interest and bank charges	737	737
Office and postage	3,856	4,384
Per diems	7,325	7,950
Professional fees	18,612	15,232
Rent	3,167	3,167
Telephone	3,283	3,479
Travel and meetings	4,369	4,933
Wages and benefits	<u>30,566</u>	<u>30,890</u>
	<u>\$ 99,602</u>	<u>\$ 97,701</u>
<b>Regulation</b>		
Levy – CFC	\$ 118,040	\$ 99,600
Office and postage	63	7
Professional fees	10,389	7,813
Travel and meetings	3,475	5,035
Wages and benefits	<u>31,521</u>	<u>31,856</u>
	<u>\$ 163,488</u>	<u>\$ 144,311</u>
<b>Promotion</b>		
Donations	\$ 1,500	\$ 1,500
Office and postage	29	4
Promotion	10,999	9,982
Travel and meetings	1,578	2,352
Wages and benefits	<u>14,328</u>	<u>14,417</u>
	<u>\$ 28,434</u>	<u>\$ 28,255</u>
<b>Facilitation</b>		
Office and postage	\$ 38	\$ 5
Travel and meetings	2,103	3,135
Wages and benefits	<u>19,103</u>	<u>19,222</u>
	<u>\$ 21,244</u>	<u>\$ 22,362</u>
<b>Total expenses</b>	<u>\$ 312,768</u>	<u>\$ 292,629</u>