

**Dairy Farmers of Newfoundland  
and Labrador**  
**Financial Statements**  
July 31, 2024

# Dairy Farmers of Newfoundland and Labrador

July 31, 2024

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# Independent Auditors' Report

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To the Members  
Dairy Farmers of Newfoundland and Labrador

## Opinion

We have audited the financial statements of Dairy Farmers of Newfoundland and Labrador, which comprise the statement of financial position as at July 31, 2024 and the statements of operations, net 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 Dairy Farmers of Newfoundland and Labrador as at July 31, 2024, and the results of its operations and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Board standards PS 4200 - government not for profit organizations.

## Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted accounting 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 organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian Public Sector Accounting Board standards PS 4200 - government 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 these financial statements, management is responsible for assessing the organization'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 organization or to cease operations, or has no realistic alternative to do so.

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

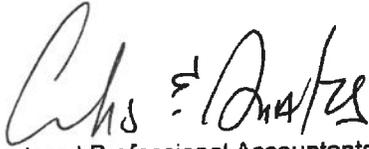
## Auditor's Responsibilities for the Audit of the Financial Statements

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 organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

  
Chartered Professional Accountants

Paradise, Newfoundland and Labrador  
September 26, 2024

# Dairy Farmers of Newfoundland and Labrador

## Statement of Financial Position

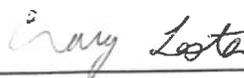
July 31, 2024

	2024	2023
<b>Assets</b>		
<b>Current Assets</b>		
Cash (Note 2)	\$ 964,233	\$ 1,625,636
Accounts receivable (Note 3)	3,318,736	3,331,345
Notes receivable Real Dairy Company (Note 4)	-	15,000
Prepays	68,835	66,612
Current portion of New Entrants Fund advances to producers (Note 5)	84,232	-
Current portion of notes receivable Newfoundland and Labrador Dairy Co-operative (Note 6)	167,162	-
	<b>4,603,198</b>	<b>5,038,593</b>
Prepaid deposits	101,120	101,120
New Entrants Fund advances to producers (Note 5)	926,549	-
Notes receivable Newfoundland and Labrador Dairy Co-operative (Note 6)	225,585	771,922
Property and equipment (Note 7)	308,213	414,792
	<b>\$ 6,164,665</b>	<b>\$ 6,326,427</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities (Note 8)	\$ 3,515,007	\$ 3,170,706
Deferred revenue (Note 9)	15,880	195,865
Current portion of long term debt (Note 10)	57,370	57,370
	<b>3,588,257</b>	<b>3,423,941</b>
Long term debt (Note 10)	262,933	320,301
Accrued severance (Note 11)	27,399	63,457
Deferred government grant (Note 12)	18,046	25,264
	<b>3,896,635</b>	<b>3,832,963</b>
<b>Net Assets</b>		
Transportation fund	(25,006)	8,253
Unrestricted net assets	2,293,036	2,485,211
	<b>2,268,030</b>	<b>2,493,464</b>
	<b>\$ 6,164,665</b>	<b>\$ 6,326,427</b>

### Commitments (Note 17)

#### Approved on Behalf of the Board:

 \_\_\_\_\_, Chairperson

 \_\_\_\_\_, Vice-chairperson

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

# Dairy Farmers of Newfoundland and Labrador

## Statement of Operations

For the Year Ended July 31, 2024

	2024	2023	Budget
<b>Revenue (Note 13)</b>	<b>\$ 1,479,768</b>	<b>\$ 1,388,559</b>	<b>\$ 1,444,000</b>
<b>Operating expenses</b>			
Salaries and benefits	227,318	239,754	265,000
Professional fees	65,385	66,694	35,000
Per diem and honorarium	64,050	71,800	75,000
Travel	47,404	27,825	50,000
Milk testing	46,007	49,845	50,000
Conference and meetings	27,575	23,972	30,000
Computer handheld devices	19,072	19,311	20,000
Rent and utilities	18,958	18,613	19,000
Board annual and semi-annual meetings	18,956	20,239	22,500
Office expenses	18,754	16,569	22,000
Contract wages	16,170	15,822	20,000
Insurance	14,756	11,058	15,000
Depreciation	11,987	24,091	10,000
Research	10,000	10,000	10,000
CDC audit fees	9,500	22,000	12,000
Donations, dues and subscriptions	3,473	2,179	2,500
Interest and bank charges	2,200	1,552	2,000
Equipment leasing	1,273	1,368	2,500
Advertising	1,250	800	4,500
	<b>624,088</b>	<b>643,492</b>	<b>667,000</b>
<b>Excess of revenue over expenses from operations</b>	<b>855,680</b>	<b>745,067</b>	<b>777,000</b>
<b>Other income (expenditures)</b>			
Special projects (net) (Note 15)	(5,352)	105,379	(50,000)
Transportation division (net) (Note 16)	(33,259)	8,253	17,000
School Milk Foundation	(339,665)	(339,665)	(339,665)
New entrant quota repurchase (Note 14)	(289,800)	-	-
Dairy Farmers of Canada	(348,164)	(333,479)	(342,000)
Real Dairy Company (net) (Note 17)	(42,375)	(62,728)	-
Federation of Agriculture	(22,500)	(5,625)	(22,500)
	<b>(1,081,115)</b>	<b>(627,865)</b>	<b>(737,165)</b>
<b>(Deficiency) excess of revenue over expenditures</b>	<b>\$ (225,435)</b>	<b>\$ 117,202</b>	<b>\$ 39,835</b>

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

# Dairy Farmers of Newfoundland and Labrador

## Statement of Changes in Net Assets For the Year Ended July 31, 2024

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	Operating Fund	Transportation Fund	2024	2023
Net assets, beginning of year	\$ 2,485,211	\$ 8,253	\$ 2,493,464	\$ 2,376,262
(Deficiency) excess of revenue over expenditures	(192,175)	(33,259)	(225,434)	117,202
<b>Net assets (deficit), end of year</b>	<b>\$ 2,293,036</b>	<b>\$ (25,006)</b>	<b>\$ 2,268,030</b>	<b>\$ 2,493,464</b>

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

# Dairy Farmers of Newfoundland and Labrador

## Statement of Cash Flows

For the Year Ended July 31, 2024

	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
(Deficiency) excess of revenue over expenditures	\$ (225,435)	\$ 117,202
Depreciation	11,987	24,091
Depreciation - Transportation division	115,068	66,142
	<b>(98,380)</b>	<b>207,435</b>
<b>Changes in non-cash working capital balances</b>		
Accounts receivable	(48,043)	(560,978)
Harmonized sales tax receivable	60,653	(61,337)
Producer deposits	-	(254,300)
Notes receivable Real Dairy Company	15,000	-
Prepays	(2,223)	37,291
Accounts payable and accrued liabilities	344,301	184,416
Accrued severance	(36,058)	8,298
Deferred revenue	(179,985)	78,046
Deferred government grant	(7,218)	(7,219)
	<b>48,047</b>	<b>(368,348)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(20,476)	(444,520)
Prepaid deposits	-	(101,120)
New entrant fund advances to producers	(1,010,781)	-
Notes receivable	379,174	(771,922)
	<b>(652,083)</b>	<b>(1,317,562)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from long term debt	-	401,575
Repayment of long term debt	(57,367)	(23,904)
	<b>(57,367)</b>	<b>377,671</b>
<b>Net decrease in cash</b>	<b>(661,403)</b>	<b>(1,308,239)</b>
Cash, beginning of year	1,625,636	2,933,875
<b>Cash, end of year</b>	<b>\$ 964,233</b>	<b>\$ 1,625,636</b>

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

# Dairy Farmers of Newfoundland and Labrador

Notes to the Financial Statements  
For the Year Ended July 31, 2024

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## 1. Significant Accounting Policies

### Nature of organization and basis of accounting

Dairy Farmers of Newfoundland and Labrador is a Commodity Board under the Natural Products Marketing Act of Newfoundland and Labrador. The organization's principal activities are to provide services to and facilitate the purchase and resale of milk on behalf of the dairy farmers of Newfoundland and Labrador. As a not for profit enterprise, the organization is exempt for income taxes under section 149(l) of the Income Tax Act of Canada.

The financial statements have been prepared in accordance with Canadian Public Sector Accounting Board standards PS 4200 - government not for profit organizations.

### Property and equipment

Property and equipment is recorded at cost less accumulated depreciation. Depreciation is provided for using the declining balance and straight line methods over the estimated useful lives as follows for the major classes of assets:

Computer equipment	45%
Software and website	5 years
Furniture and equipment	20%

### Impairment of long lived assets

In the event that facts and circumstances indicate that the organization's long-lived assets may be impaired, an evaluation of recoverability would be performed. Such an evaluation entails comparing the estimated future undiscounted cash flows associated with the asset to the asset's carrying amount to determine if a write down to market value or discounted cash flow value is required. The organization considers that no circumstances exist that would require such an evaluation.

### Fund accounting

The organization uses the deferral method of accounting for restricted revenues. Contributions for specific projects are recognized as related expenses are incurred and any unapplied portion is included in deferred revenue.

### Revenue recognition

Market share quota revenue including fluid and industrial milk, pooling charges, transportation and levies is recognized when milk is shipped from producers for processing.

Government funding for specific projects is recognized when received.

# Dairy Farmers of Newfoundland and Labrador

Notes to the Financial Statements  
For the Year Ended July 31, 2024

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## 1. Significant Accounting Policies continued

### Financial Instruments

The organization has determined that the estimated fair value of the financial assets and liabilities do not differ considerably from their book value.

### Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for public sector enterprises 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 reporting period. The organization uses estimates with respect to the collectibility of accounts receivable and the estimated useful lives of property and equipment. Actual results could differ from those estimates and may have impact on future periods.

## 2. Cash

Under a banking agreement with the Bank of Montreal interest is paid on cash balances held on account at Prime minus 1.7%. Dairy Farmers of Newfoundland and Labrador also maintains an approved line of credit of \$600,000 at an interest rate of Prime. As security the organization has provided a general security agreement with an interest in all movable assets and first charge on accounts receivable and property and equipment. As at July 31, 2024 the balance on the line of credit was \$nil (2023 - \$nil).

## 3. Accounts receivable

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	2024	2023
Accounts receivable	\$ 3,058,902	\$ 3,010,858
Producer deposits	254,300	254,300
Harmonized sales tax receivable	5,534	66,187
	<b>\$ 3,318,736</b>	<b>\$ 3,331,345</b>

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# Dairy Farmers of Newfoundland and Labrador

Notes to the Financial Statements  
For the Year Ended July 31, 2024

## 4. Notes receivable Real Dairy Company of Newfoundland Ltd.

	2024	2023
Advances	\$ 94,707	\$ 62,728
Note receivable	-	15,000
	<b>94,707</b>	<b>77,728</b>
Provision for write down	<b>(94,707)</b>	<b>(62,728)</b>
	<b>\$ -</b>	<b>\$ 15,000</b>

The Real Dairy Company of Newfoundland Ltd. was established under agreement with the Dairy Farmers of Newfoundland and Labrador to promote secondary processing of milk products. To date, the company receives its' funding from the organization and a grant from the Atlantic Canada Opportunities Agency. Advances to the Real Dairy Company of Newfoundland Ltd. are funded from the P10 commitment. The balance is non-interest bearing and there are no set terms of repayment.

The note receivable was provided to fund working capital for the start up of the project and was repaid during the year.

## 5. New Entrants Fund advances to producers

	2024	2023
Advances to producers, non-interest bearing, repayable in 84 monthly principal installments commencing January 1, 2025, secured by liens against future production	\$ 1,010,781	-
Less: Current portion	<b>(84,232)</b>	-
	<b>\$ 926,549</b>	<b>\$ -</b>

## 6. Notes receivable Newfoundland and Labrador Dairy Co-operative

	2024	2023
Short term advances	\$ 167,162	\$ 771,922
Note receivable interest at BMO prime, repayable in 12 monthly principal installments beginning at the onset of Lactose free production, unsecured	<b>225,585</b>	-
	<b>392,747</b>	<b>771,922</b>
Less: Current portion	<b>(167,162)</b>	-
	<b>\$ 225,585</b>	<b>\$ 771,922</b>

# Dairy Farmers of Newfoundland and Labrador

Notes to the Financial Statements  
For the Year Ended July 31, 2024

## 7. Property and equipment

	Cost	Accumulated Depreciation	2024 Net Book Value	2023 Net Book Value
Computer equipment	\$ 27,910	\$ 25,867	\$ 2,043	\$ 2,588
Furniture and equipment	45,324	40,952	4,372	3,031
Transportable milk samplers	49,101	24,550	24,551	34,370
Tank trailers	458,456	181,209	277,247	374,803
Software and website	60,992	60,992	-	-
	<b>\$ 641,783</b>	<b>\$ 333,570</b>	<b>\$ 308,213</b>	<b>\$ 414,792</b>

## 8. Accounts payable and accrued liabilities

	2024	2023
Trade accounts payable and accrued liabilities	\$ 3,474,682	\$ 3,141,570
School Milk Foundation	32,425	20,251
Employee deductions	7,900	8,885
	<b>\$ 3,515,007</b>	<b>\$ 3,170,706</b>

## 9. Deferred revenue

	2024	2023
Real Dairy Company of Newfoundland Ltd.	\$ 15,880	\$ 141,360
Transportation division	-	54,505
	<b>\$ 15,880</b>	<b>\$ 195,865</b>

# Dairy Farmers of Newfoundland and Labrador

Notes to the Financial Statements  
For the Year Ended July 31, 2024

## 10. Long-term debt

	2024	2023
Bank of Montreal term loan, repayable monthly principal installments of \$2,390 plus interest at BMO prime, secured by equipment with net book value of \$187,401, a general security agreement and assignment of insurance.	\$ 160,152	\$ 188,836
Bank of Montreal term loan, repayable monthly principal installments of \$2,390 plus interest at BMO prime, secured by equipment with net book value of \$187,401, a general security agreement and assignment of insurance.	160,151	188,835
	<b>320,303</b>	<b>377,671</b>
Less: Current portion	<b>57,370</b>	<b>57,370</b>
	<b>\$ 262,933</b>	<b>\$ 320,301</b>

Principal repayments on long-term debt over the next five years are as follows:

2025	\$ 57,370
2026	\$ 57,370
2027	\$ 57,370
2028	\$ 57,370
2029	\$ 57,370

## 11. Accrued severance

Dairy Farmers of Newfoundland and Labrador employee contracts include severance payable based on years of service and current salary levels. The right to severance vests with employees with five years of continuous service, and accordingly no provision has been made in the accounts for potential severance that has not vested. The amounts are payable when eligible employees cease employment with the organization. Severance of \$38,462 (2023 - \$nil) was paid during the year.

## 12. Deferred government grant

Government of Newfoundland and Labrador grant to assist in the purchase of transportable milk samplers is being amortized on the same basis as the related assets.

# Dairy Farmers of Newfoundland and Labrador

Notes to the Financial Statements  
For the Year Ended July 31, 2024

## 13. Revenue

	2024	2023	Budget
Board levies	\$ 1,341,878	\$ 1,239,438	\$ 1,344,000
Interest	128,954	135,042	100,000
Amortization of deferred government grant	7,218	7,218	-
Administration	1,718	1,850	-
General reserve	-	5,011	-
	<b>\$ 1,479,768</b>	<b>\$ 1,388,559</b>	<b>\$ 1,444,000</b>

## 14. New entrants levy

Dairy Farmers of Newfoundland and Labrador has entered into agreements under varied terms with select producers acquiring quota and entering the market. Expenses of \$289,800 (2023 - \$nil) to re-purchase quota under these agreements was recorded during the year.

## 15. Special projects

	2024	2023
<b>Revenues</b>		
Mastitis Council AGM	\$ -	\$ 10,000
	-	10,000
<b>Expenditures</b>		
Mastitis Council AGM	-	16,362
National cost of production study	5,352	4,809
Norway project (recovery)	-	(116,550)
	<b>5,352</b>	<b>(95,379)</b>
<b>(Deficiency) excess of revenue over expenditures</b>	<b>\$ (5,352)</b>	<b>\$ 105,379</b>

# Dairy Farmers of Newfoundland and Labrador

Notes to the Financial Statements

For the Year Ended July 31, 2024

## 16. Transportation division

	2024	2023
<b>Revenue</b>	<b>\$ 187,449</b>	<b>\$ 145,810</b>
<b>Expenditures</b>		
Depreciation	115,068	66,142
Salaries and benefits	30,167	6,353
Repairs and maintenance	25,937	5,148
Interest on long term debt	25,171	10,679
Quality control	18,266	10,430
Insurance	2,545	2,629
Office	1,604	3,456
Professional fees	1,050	8,287
License fees	900	928
Brokers	-	23,505
	<b>220,708</b>	<b>137,557</b>
<b>(Deficiency) excess of revenue over expenditures</b>	<b>\$ (33,259)</b>	<b>\$ 8,253</b>

## 17. Real Dairy Company

	2024	2023
<b>Revenue</b>		
Engineering and design	\$ 95,935	\$ 188,185
Real Dairy Company of Newfoundland Ltd. allocation	29,545	152,787
	<b>125,480</b>	<b>340,972</b>
<b>Expenditures</b>		
Engineering and design	95,935	188,185
Real Dairy Company of Newfoundland Ltd.	39,942	152,787
Provision for write down of advances	31,978	62,728
	<b>167,855</b>	<b>403,700</b>
<b>Deficiency of revenue over expenditures</b>	<b>\$ (42,375)</b>	<b>\$ (62,728)</b>

# Dairy Farmers of Newfoundland and Labrador

Notes to the Financial Statements  
For the Year Ended July 31, 2024

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## 18. Risk management

### Credit risk

The organization does not face significant credit risk exposure. The fair values of items that meet the definition of financial instruments approximate their carrying values. These items include accounts receivable and notes receivable.

### Interest rate risk

Interest rate risk is the exposure of the organizations interest income and cost to service debt that arises from fluctuations in interest rates. The organization manages this risk by regularly reviewing the terms offered for interest on excess funds and long term debt to ensure favourable rates are obtained.

### Liquidity risk

Liquidity risk is the risk that the organization may not have cash available to satisfy financial liabilities as they come due. In addition to available cash on hand, the organization maintains a committed credit facility to ensure that it has sufficient funds to meet current and foreseeable future financial requirements at a reasonable cost.

## 19. Commitments

The Dairy Farmers of Newfoundland and Labrador has a commitments for the lease of office space and equipment. The organization's share of the annual lease agreement is \$15,908 and expires May 17, 2025.

# Dairy Farmers of Newfoundland and Labrador

## Schedule I - Milk Revenue and Expenditures

For the Year Ended July 31, 2024

	2024	2023
<b>Revenues</b>		
Milk income	\$ 53,696,884	\$ 54,458,744
Milk transportation	4,265,785	4,336,451
CDC special class pooling	1,086,623	1,088,660
	<b>\$ 59,049,292</b>	<b>\$ 59,883,855</b>
<b>Expenditures</b>		
Milk expenses	\$ 53,696,884	\$ 54,458,746
Milk transportation	4,265,785	4,336,451
CDC special class pooling	1,086,623	1,088,658
	<b>\$ 59,049,292</b>	<b>\$ 59,883,855</b>
<b>Excess of revenue over expenditures</b>	<b>\$ -</b>	<b>\$ -</b>