

Financial Statements

Egg Farmers of Newfoundland and Labrador

December 31, 2024

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Independent Auditor's Report

To the Directors of
Egg Farmers of Newfoundland and Labrador

Opinion

We have audited the financial statements of Egg Farmers of Newfoundland and Labrador, which comprise the statement of financial position as at December 31, 2024, and the statements of operations and changes in 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 the Organization as at December 31, 2024, 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.

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

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

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

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

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

Independent Auditor's Report (continued)

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.

St. John's, Canada
March 6, 2025

Doane Grant Thornton LLP

Chartered Professional Accountants

Egg Farmers of Newfoundland and Labrador

Statements of Operations and Changes in Net Assets

Year ended December 31	2024	2023
Revenue		
Assessments	\$ 544,169	\$ 522,155
Promotional allowance programs	82,471	90,000
Grant revenue	-	13,500
Amortization of deferred contributions related to equipment	26,047	26,621
Contributions - Industrial product fund	110,609	3,974
Contributions - CETPP fund	106,107	51,569
	869,403	707,819
Less:		
Other costs		
Industrial product fund expenditures	110,609	3,974
CETPP fund expenditures	106,107	51,569
	216,716	55,543
	652,687	652,276
Expenses		
Bank charges	2,335	2,359
Depreciation	57,442	48,667
Directors' per diem	37,500	38,550
Equipment rental and repairs	9,905	12,753
Fees, gazetting and insurance	19,394	17,381
Honorarium	18,000	18,000
Inspection and enforcement	6,739	11,154
Interest on long-term debt	6,082	6,449
Meetings	15,723	32,559
Office supplies	2,592	10,762
Postage and courier	91	703
Poultry Health Management	26,977	26,004
Professional fees	35,705	32,483
Promotional and sponsorship	107,251	109,684
Property Tax	1,437	1,383
Rent	17,575	17,400
Salaries and benefits	206,309	203,590
Scholarship	1,000	1,000
Special projects	731	7,837
Telephone and utilities	10,250	11,170
Travel	63,999	52,569
	647,037	662,457
Excess (deficiency) of revenue over expenses before other income	5,650	(10,181)
Other income		
Gain on sale of equipment	2,612	-
Excess (deficiency) of revenue over expenses	\$ 8,262	\$ (10,181)
Net assets, beginning of year	\$ 252,743	\$ 262,924
Excess (deficiency) of revenue over expenses	8,262	(10,181)
Net assets, end of year	\$ 261,005	\$ 252,743

See accompanying notes and schedule to the financial statements.

Egg Farmers of Newfoundland and Labrador Statement of Financial Position

December 31

2024

2023

Assets

Current

Cash and cash equivalents (Note 4)	\$ 1,007,067	\$ 754,697
Receivables (Note 5)	1,653,503	1,391,718
Prepays	<u>7,089</u>	<u>4,075</u>

	2,667,659	2,150,490
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Equipment (Note 6)	<u>570,869</u>	<u>561,145</u>
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	<u>\$ 3,238,528</u>	<u>\$ 2,711,635</u>
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Liabilities

Current

Payables and accruals (Note 7)	\$ 1,969,924	\$ 1,636,334
Current portion of long-term debt (Note 8)	<u>41,272</u>	<u>27,617</u>

	2,011,196	1,663,951
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Long-term debt (Note 8)	95,112	76,868
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Deferred capital contributions related to equipment (Note 9)	282,316	308,363
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Risk management fund (Note 10)	55,347	55,347
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Industrial product fund (Note 11)	26,461	22,214
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Conventional to enriched transition and producer pricing fund (Note 12)	<u>507,091</u>	<u>332,149</u>
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	2,977,523	2,458,892
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Net assets	<u>261,005</u>	<u>252,743</u>
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	<u>\$ 3,238,528</u>	<u>\$ 2,711,635</u>
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On behalf of the Board

Crystal Smeethy

Director

[Signature]

Director

Egg Farmers of Newfoundland and Labrador

Statement of Cash Flows

Year ended December 31

2024

2023

Increase (decrease) in cash

Operating

Excess (deficiency) of revenue over expenses	\$ 8,262	\$ (10,181)
Items not affecting cash		
Amortization of deferred contributions related to equipment	(26,047)	(26,621)
Depreciation	57,442	48,667
Gain on sale of equipment	(2,612)	-
Change in non-cash operating working capital (Note 13)	<u>247,980</u>	<u>8,718</u>
	<u>285,025</u>	<u>20,583</u>

Financing

Repayment of long-term debt	(31,114)	(48,757)
Proceeds of long-term debt	<u>63,013</u>	<u>-</u>
	<u>31,899</u>	<u>(48,757)</u>

Investing

Purchase of property and equipment	(69,554)	(3,561)
Proceeds on disposal of equipment	<u>5,000</u>	<u>-</u>
	<u>(64,554)</u>	<u>(3,561)</u>

Increase (decrease) in cash

252,370 (31,735)

Cash

Beginning of year	<u>754,697</u>	<u>786,432</u>
End of year	<u>\$ 1,007,067</u>	<u>\$ 754,697</u>

Egg Farmers of Newfoundland and Labrador

Notes to the Financial Statements

December 31, 2024

1. Purpose of the organization

The Organization, under the Province of Newfoundland and Labrador legislation, has a right and obligation to:

- (a) control the supply of eggs to meet consumer demand;
 - (b) establish the minimum price for eggs at the farm gate level; and,
 - (c) generally manage the production of eggs so that the price received by the producer is reflective of the cost of production while at the same time ensuring consistent supply, fair pricing and high quality for the product at the consumer level.
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2. Summary of significant accounting policies

Basis of presentation

The Organization has prepared these financial statements in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Assessment revenue

Assessment revenue is recognized upon billing based on minimum production levels for allocated quotas.

Contribution revenue

The Organization follows the deferral method of accounting for the industrial product fund contributions, conventional to enriched transition and producer pricing fund contributions, and risk management fund contributions. Under this method, contributions restricted for future period expenses are deferred and are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Grant revenue

Revenues from grants are recognized as revenue when amounts have been received and all eligibility criteria or stipulations have been met. Revenues from grants are recognized as deferred revenue when the eligibility criteria or stipulations have not been met.

Cash and cash equivalents

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

Deferred capital contributions

Deferred capital contributions represent the unamortized grant funding received for the purchase of capital assets associated with specific projects approved by the Organization. The amortization of deferred capital contributions is recorded as revenue in the statement of operations over the useful life of the capital assets.

Egg Farmers of Newfoundland and Labrador

Notes to the Financial Statements

December 31, 2024

2. Summary of significant accounting policies (continued)

Capital assets

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.

The amortization rates used for each class of equipment are:

Egg tray system	15 years Straight-line
Vehicle	30% Declining balance
Furniture and equipment	20% Declining balance
Computer equipment	25% Declining balance

When a capital asset no longer has any long term service potential to the Organization, the excess of its net carrying value over residual value is recognized as an expense in the statement of operations. Any write-downs recognized are not reversed.

Financial instruments

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

- cash and cash equivalents
- trade and other receivables
- payables
- long-term debt

Financial instruments in arm's length transactions

Initial measurement

The Organization initially measures financial assets and financial liabilities originating, acquired, issued or assumed in arm's length transactions at fair value.

Subsequent measurement

At each reporting date, the Organization measures its financial assets and liabilities at cost or amortized cost (less impairment in the case of financial assets). The financial instruments measured at amortized cost are cash and cash equivalents, receivables, payables and long-term debt.

Derecognition

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

Egg Farmers of Newfoundland and Labrador

Notes to the Financial Statements

December 31, 2024

2. Summary of significant accounting policies (continued)

Financial instruments (continued)

Impairment

Financial assets measured at cost or amortized cost are tested for impairment when indicators of impairment exist at the end of the reporting period. Previously recognized impairment losses are reversed to the extent of the improvement provided the financial 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 income.

Financial instruments in related party transactions

Initial measurement

Financial assets and financial liabilities in related party transactions are initially measured at cost, with the exception of certain instruments which are initially measured at fair value. The Organization does not have any financial assets or financial liabilities in related party transactions which are initially measured at fair value.

Gains or losses arising on initial measurement differences are generally recognized in net income when the transaction is in the normal course of operations, and in equity when the transaction is not in the normal course of operations, subject to certain exceptions.

Subsequent measurement

Financial assets and financial liabilities recognized in related party transactions are subsequently measured based on how the Organization initially measured the instrument. Financial instruments initially measured at cost are subsequently measured at cost, less any impairment for financial assets. Financial instruments initially measured at fair value, of which the Organization has none, would be subsequently measured at amortized cost or fair value based on certain conditions.

3. Financial instruments

The Organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the Organization's risk exposure and concentrations at December 31, 2024.

(a) Credit risk

The Organization does have credit risk in its receivables. 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 Organization receives levies, which are legislated by the Province, from egg producers. There was no significant change in exposure over the prior year.

Egg Farmers of Newfoundland and Labrador

Notes to the Financial Statements

December 31, 2024

3. Financial instruments (continued)

(b) Liquidity risk

The Organization does have a liquidity risk in its payables and long-term debt. Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Organization reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due. There was no significant change in exposure over the prior year.

4. Cash and cash equivalents

Cash and cash equivalents include \$507,091 (2023 - \$332,1495) relating to the Conventional to enriched transition and producer pricing (CETPP) fund, \$55,347 (2023 - \$55,347) relating to the Risk management fund, and \$26,461 (2023 - \$22,214) relating to the Industrial product fund.

5. Receivables	<u>2024</u>	<u>2023</u>
Producers levies receivable	\$ 339,185	\$ 307,858
Producers accrued levies on earned quota credits receivable	328,758	213,381
Egg Farmers of Canada		
- Industrial product	917,599	805,377
- Promotional funding	59,143	51,602
Grant receivable	-	13,500
Other receivable	389	-
HST receivable	8,429	-
	<u>\$ 1,653,503</u>	<u>\$ 1,391,718</u>

6. Equipment			<u>2024</u>	<u>2023</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Egg tray system	\$ 632,028	\$ 137,731	\$ 494,297	\$ 536,432
Vehicle	65,637	9,846	55,791	2,809
Furniture and equipment	114,845	98,077	16,768	16,553
Computer equipment	58,100	54,087	4,013	5,351
	<u>\$ 870,610</u>	<u>\$ 299,741</u>	<u>\$ 570,869</u>	<u>\$ 561,145</u>

Egg Farmers of Newfoundland and Labrador

Notes to the Financial Statements

December 31, 2024

7. Payables and accruals	<u>2024</u>	<u>2023</u>
Trade payables and accruals	\$ 118,303	\$ 61,409
Government remittances	6,414	6,551
HST payable	-	13,287
Industrial product	924,260	812,038
Egg Farmers of Canada levies	592,189	529,668
Egg Farmers of Canada accrued levies on earned quota credits	<u>328,758</u>	<u>213,381</u>
	<u>\$ 1,969,924</u>	<u>\$ 1,636,334</u>

8. Long-term debt	<u>2024</u>	<u>2023</u>
Bank of Montreal loan bearing interest at 5.89% per annum, repayable in monthly blended payments of \$2,751, maturing June 2027. Loan is secured by specific equipment with a net book value of \$121,775.	\$ 76,986	\$ 104,485
Scotiabank loan bearing interest at 2.99% per annum, repayable in bi-weekly blended payments of \$522, maturing August 2029. Loan is secured by a vehicle with a net book value of \$55,791.	<u>59,398</u>	<u>-</u>
	136,384	104,485
Less current portion	<u>41,272</u>	<u>27,617</u>
Due beyond one year	<u>\$ 95,112</u>	<u>\$ 76,868</u>
Estimated principal repayments are as follows:		
2025	\$ 41,272	
2026	43,407	
2027	29,853	
2028	13,120	
2029	<u>8,732</u>	
	<u>\$ 136,384</u>	

9. Deferred capital contributions related to equipment	<u>2024</u>	<u>2023</u>
Balance, beginning of the year	\$ 308,363	\$ 334,984
Amortization of deferred contributions	<u>(26,047)</u>	<u>(26,621)</u>
	<u>\$ 282,316</u>	<u>\$ 308,363</u>

All deferred contributions are amortized at the same rate as the equipment to which they relate.

Egg Farmers of Newfoundland and Labrador

Notes to the Financial Statements

December 31, 2024

10. Risk management fund

	<u>2024</u>	<u>2023</u>
Balance, beginning of year	\$ 55,347	\$ 55,347
Amounts received during the year	-	-
Recognized as revenue during the year	-	-
	<u> </u>	<u> </u>
Balance, end of year	<u>\$ 55,347</u>	<u>\$ 55,347</u>

The deferred contributions represent unspent funding received from a divestment paid from the Egg Farmers of Canada. The primary objective of this fund was to provide financial assistance to egg producers affected by certain industry risks.

11. Industrial product fund

	<u>2024</u>	<u>2023</u>
Balance, beginning of year	\$ 22,214	\$ 22,025
Amounts received during the year	114,856	4,164
Recognized as revenue during the year	<u>(110,609)</u>	<u>(3,975)</u>
	<u> </u>	<u> </u>
	<u>\$ 26,461</u>	<u>\$ 22,214</u>

The deferred contributions represent unspent internally restricted funding received that relates to a special provincial levy on producers to fund removal of surplus product.

12. Conventional to enriched transition and producer pricing fund

	<u>2024</u>	<u>2023</u>
Balance, beginning of year	\$ 332,149	\$ 189,286
Amounts received during the year	281,049	194,432
Recognized as revenue during the year	<u>(106,107)</u>	<u>(51,569)</u>
	<u> </u>	<u> </u>
	<u>\$ 507,091</u>	<u>\$ 332,149</u>

The deferred contributions represent internally restricted funding for a national program to support farming transition to enriched housing.

Egg Farmers of Newfoundland and Labrador

Notes to the Financial Statements

December 31, 2024

13. Supplemental cash flow information	<u>2024</u>	<u>2023</u>
Change in non-cash operating working capital		
Receivables	\$ (261,785)	\$ (310,180)
Prepays	(3,014)	355
Payables and accruals	333,590	175,489
Deferred contributions		
- Industrial product fund	4,247	190
- CETPP fund	<u>174,942</u>	<u>142,864</u>
	<u>\$ 247,980</u>	<u>\$ 8,718</u>

14. National levy

During the year, the Egg Farmers of Newfoundland and Labrador levied the amount of \$5,215,989 (2023 - \$3,500,679) on behalf of the Egg Farmers of Canada.

15. Removal of surplus product

During the year, the Organization issued payments of \$13,085,382 (2023 - \$13,899,293) to the grading sector for the removal of surplus product and received payments of \$12,913,064 (2023 - \$13,903,292) from Egg Farmers of Canada relating to the same.

The amounts noted above include accounts payable and accounts receivable up to December 31, 2024.
