



Financial Statements

Chicken Farmers of Newfoundland and Labrador

December 31, 2016

Contents

	Page
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.

Ruth Noseworthy Chair D. Noel Director

Independent Auditors' Report

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To the Directors of

Chicken Farmers of Newfoundland and Labrador

We have audited the accompanying financial statements of Chicken Farmers of Newfoundland and Labrador, which comprise the statement of financial position as at December 31, 2016 and the statement of operations and changes in accumulated surplus, changes in net assets 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 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.

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 public sector accounting 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 Board'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 Board'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 audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Chicken Farmers of Newfoundland and Labrador as at December 31, 2016, and its financial performance and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

St. John's, Canada
February 20, 2017

Grant Thornton LLP

Chartered Professional Accountants

Chicken Farmers of Newfoundland and Labrador

Statement of Financial Position

December 31	2016	2015
Financial assets		
Cash and cash equivalents	\$ 151,661	\$ 120,949
Receivables (Note 5)	27,073	17,415
Investments	<u>42,582</u>	<u>42,194</u>
	<u>221,316</u>	<u>180,558</u>
Liabilities		
Payables and accruals	33,012	31,283
Accrued severance pay	<u>11,425</u>	<u>11,092</u>
	<u>44,437</u>	<u>42,375</u>
Net financial assets	<u>176,879</u>	<u>138,183</u>
Non-financial assets		
Prepays	2,117	2,447
Tangible capital assets (Note 6)	<u>6,604</u>	<u>4,233</u>
	<u>8,721</u>	<u>6,680</u>
Accumulated surplus	<u>\$ 185,600</u>	<u>\$ 144,863</u>

On behalf of the Board

Ruth Roseworthy Chair D. Moul 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 2016	Budget 2016	Actual 2015
Revenue			
Levies	\$ 340,812	\$ 302,100	\$ 310,976
Over-marketing levy assessment	127,852	-	-
Grant funded projects	8,729	-	19,716
Interest and miscellaneous	<u>582</u>	<u>10</u>	<u>1,382</u>
	477,975	302,110	332,074
Other costs			
Costs for Grant funded projects	16,920	5,000	19,037
Loss on disposal of asset	<u>-</u>	<u>-</u>	<u>9,242</u>
	<u>461,055</u>	<u>297,110</u>	<u>303,795</u>
Expenses (Page 12)			
Administration	99,110	106,848	99,657
Regulatory	276,654	138,331	137,356
Promotion	22,892	26,105	25,127
Facilitation	<u>21,662</u>	<u>22,807</u>	<u>23,177</u>
	<u>420,318</u>	<u>294,091</u>	<u>285,317</u>
Annual surplus	<u>\$ 40,737</u>	<u>\$ 3,019</u>	<u>\$ 18,478</u>
<hr/>			
Accumulated surplus, beginning of year	\$ 144,863	\$ 144,863	\$ 126,385
Annual surplus	<u>40,737</u>	<u>3,019</u>	<u>18,478</u>
Accumulated surplus, end of year	<u>\$ 185,600</u>	<u>\$ 147,882</u>	<u>\$ 144,863</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 2016	Budget 2016	Actual 2015
Annual surplus	\$ 40,737	\$ 3,019	\$ 18,478
Amortization of tangible capital assets	1,204	-	850
Purchase of tangible capital assets	(3,575)	-	(443)
Loss on disposal of tangible capital assets	-	-	9,242
Decrease (increase) in prepaids	<u>330</u>	<u>-</u>	<u>(207)</u>
Increase in net assets	38,696	3,019	27,920
Net financial assets, beginning of year	<u>138,183</u>	<u>138,183</u>	<u>110,263</u>
Net financial assets, end of year	<u>\$ 176,879</u>	<u>\$ 141,202</u>	<u>\$ 138,183</u>

See accompanying notes to the financial statements.

Chicken Farmers of Newfoundland and Labrador

Statement of Cash Flows

Year Ended December 31

2016

2015

Increase in cash and cash equivalents

Operating

Annual surplus	\$ 40,737	\$ 18,478
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Change in non-cash items

Accrued severance pay	333	1,669
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Amortization	1,204	850
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Receivables	(9,658)	5,920
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Loss on disposal of asset	-	9,242
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Prepays	330	(207)
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Payables and accruals	1,729	1,446
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Cash provided by operating transactions	<u>34,675</u>	<u>37,398</u>
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Investing

Purchase of tangible capital assets	(3,575)	(443)
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Reclassification of cash to investments	-	(12,995)
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Increase in investments	(388)	-
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Redemption of investments	-	41,651
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Purchase of investments	-	(42,194)
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Cash used in investing transactions	<u>(3,963)</u>	<u>(13,981)</u>
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Increase in cash and cash equivalents	30,712	23,417
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Cash and cash equivalents, beginning of year	<u>120,949</u>	<u>97,532</u>
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Cash and cash equivalents, end of year	<u>\$ 151,661</u>	<u>\$ 120,949</u>
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See accompanying notes to the financial statements.

Chicken Farmers of Newfoundland and Labrador

Notes to the Financial Statements

December 31, 2016

1. Nature of operations

The Chicken Farmers of Newfoundland and Labrador was established in 1981 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 \$241,456 of levies collected in 2016 (2015 - \$103,659).

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, 2016

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.

Investment

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
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Impairment of long-lived assets

Long-lived assets are reviewed for impairment upon the occurrence of events or changes in circumstances indicating that the value of the assets may not be recoverable, as measured by comparing their net book value to the estimated undiscounted cash flows generated by their use. Impaired assets are recorded at fair value, determined principally using discounted future cash flows expected from their use and eventual disposition.

Chicken Farmers of Newfoundland and Labrador

Notes to the Financial Statements

December 31, 2016

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

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.

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
- payables and accruals.

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 payables and accruals.

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.

Chicken Farmers of Newfoundland and Labrador

Notes to the Financial Statements

December 31, 2016

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, 2016 was \$28,658 (2015 - \$28,658).

5. Receivables	2016	2015
Levies	\$ 25,092	\$ 17,414
Travel advances	<u>1,981</u>	<u>-</u>
	<u>\$ 27,073</u>	<u>\$ 17,414</u>

6. Tangible capital assets	2016		2015	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture and equipment	<u>\$ 41,954</u>	<u>\$ 35,350</u>	<u>\$ 6,604</u>	<u>\$ 4,233</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, 2016.

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 \$25,092 (2015 - \$17,415). 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 \$33,012 (2015 - \$31,283). 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.

Chicken Farmers of Newfoundland and Labrador

Schedule of Expenses

December 31

2016

2015

	<u>Actual</u>	<u>Actual</u>
Administration		
Amortization	\$ 1,204	\$ 850
Federation of Agriculture	12,000	12,000
Honorariums	12,000	12,000
Insurance	1,558	1,209
Interest and bank charges	755	1,096
Office and postage	3,721	3,901
Per diems	8,550	10,875
Professional fees	16,309	17,137
Rent	3,167	3,085
Telephone	4,342	4,573
Travel and meetings	6,353	3,699
Wages and benefits	<u>29,151</u>	<u>29,232</u>
	\$ 99,110	\$ 99,657
Regulation		
Levy – CFC	\$ 113,604	\$ 103,659
Over production levy	127,852	-
Office and postage	14	715
Travel and meetings	5,120	2,837
Wages and benefits	<u>30,064</u>	<u>30,145</u>
	\$ 276,654	\$ 137,356
Promotion		
Donations	\$ 1,500	\$ 1,500
Office and postage	4	325
Promotion	5,395	8,346
Travel and meetings	2,326	1,255
Wages and benefits	<u>13,667</u>	<u>13,701</u>
	\$ 22,892	\$ 25,127
Facilitation		
Office and postage	\$ 7	\$ 433
Travel and meetings	3,439	4,475
Wages and benefits	<u>18,216</u>	<u>18,269</u>
	\$ 21,662	\$ 23,177
Total expenses	<u>\$ 420,318</u>	<u>\$ 285,317</u>