



Grant Thornton

Financial Statements

Chicken Farmers of Newfoundland and Labrador

December 31, 2017

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# 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, 2017 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, 2017, 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 23, 2018



Chartered Professional Accountants

# Chicken Farmers of Newfoundland and Labrador

## Statement of Financial Position

December 31	2017	2016
<b>Financial assets</b>		
Cash and cash equivalents	\$ 164,868	\$ 151,661
Receivables (Note 5)	13,689	27,073
Investments	<u>42,931</u>	<u>42,582</u>
	<u>221,488</u>	<u>221,316</u>
<b>Liabilities</b>		
Payables and accruals	21,907	33,012
Accrued severance pay	<u>14,710</u>	<u>11,425</u>
	<u>36,617</u>	<u>44,437</u>
<b>Net financial assets</b>	<u>184,871</u>	<u>176,879</u>
<b>Non-financial assets</b>		
Prepays	2,166	2,117
Tangible capital assets (Note 6)	<u>5,283</u>	<u>6,604</u>
	<u>7,449</u>	<u>8,721</u>
<b>Accumulated surplus</b>	<u>\$ 192,320</u>	<u>\$ 185,600</u>

On behalf of the Board

Ruth Roseworthy Chair D. Nail 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 2017	Budget 2017	Actual 2016
<b>Revenue</b>			
Levies	\$ 298,801	\$ 302,100	\$ 340,812
Over-marketing levy assessment	-	-	127,852
Grant funded projects	-	-	8,729
Interest and miscellaneous	<u>548</u>	<u>270</u>	<u>582</u>
	<b>299,349</b>	<b>302,370</b>	477,975
<b>Other costs</b>			
Costs for Grant funded projects	<u>-</u>	<u>-</u>	<u>16,920</u>
	<b>299,349</b>	<b>302,370</b>	<b>461,055</b>
<b>Expenses (Page 12)</b>			
Administration	97,701	107,262	99,110
Regulatory	144,311	143,954	276,654
Promotion	28,255	27,388	22,892
Facilitation	<u>22,362</u>	<u>23,184</u>	<u>21,662</u>
	<b>292,629</b>	<b>301,788</b>	420,318
<b>Annual surplus</b>	<b><u>\$ 6,720</u></b>	<b><u>\$ 582</u></b>	<b><u>\$ 40,737</u></b>
<hr/>			
Accumulated surplus, beginning of year	\$ 185,600	\$ 185,600	\$ 144,863
Annual surplus	<u>6,720</u>	<u>582</u>	<u>40,737</u>
Accumulated surplus, end of year	<b><u>\$ 192,320</u></b>	<b><u>\$ 186,182</u></b>	<b><u>\$ 185,600</u></b>

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 2017	Budget 2017	Actual 2016
Annual surplus	\$ 6,720	\$ 582	\$ 40,737
Amortization of tangible capital assets	1,321	1,600	1,204
Purchase of tangible capital assets	-	-	(3,575)
(Increase) decrease in prepaids	<u>(49)</u>	<u>-</u>	<u>330</u>
Increase in net assets	7,992	2,182	38,696
Net financial assets, beginning of year	<u>176,879</u>	<u>176,879</u>	<u>138,183</u>
Net financial assets, end of year	<u>\$ 184,871</u>	<u>\$ 179,061</u>	<u>\$ 176,879</u>

See accompanying notes to the financial statements.



# Chicken Farmers of Newfoundland and Labrador

## Statement of Cash Flows

Year Ended December 31 2017 2016

Increase in cash and cash equivalents

### Operating

Annual surplus	\$ 6,720	\$ 40,737
Change in non-cash items		
Accrued severance pay	3,285	333
Amortization	1,321	1,204
Receivables	13,384	(9,658)
Prepays	(50)	330
Payables and accruals	<u>(11,1025)</u>	<u>1,729</u>
Cash provided by operating transactions	<u>13,556</u>	<u>34,675</u>

### Capital

Purchase of tangible capital assets	<u>-</u>	<u>(3,575)</u>
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### Investing

Increase in investments	<u>(349)</u>	<u>(388)</u>
Increase in cash and cash equivalents	13,207	13,207
Cash and cash equivalents, beginning of year	<u>151,661</u>	<u>120,949</u>
Cash and cash equivalents, end of year	<u>\$ 164,868</u>	<u>\$ 151,661</u>

See accompanying notes to the financial statements.

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# Chicken Farmers of Newfoundland and Labrador

## Notes to the Financial Statements

December 31, 2017

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### 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.

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### 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 \$99,600 of levies collected in 2017 (2016 - \$241,456).

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### 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.

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# Chicken Farmers of Newfoundland and Labrador

## Notes to the Financial Statements

December 31, 2017

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### 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.

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# Chicken Farmers of Newfoundland and Labrador

## Notes to the Financial Statements

December 31, 2017

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### 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.

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# Chicken Farmers of Newfoundland and Labrador

## Notes to the Financial Statements

December 31, 2017

### 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, 2017 was \$28,658 (2016 - \$28,658).

5. Receivables	<u>2017</u>	<u>2016</u>
Levies	\$ 13,689	\$ 25,092
Travel advances	-	1,981
	<u>\$ 13,689</u>	<u>\$ 27,073</u>

6. Tangible capital assets	<u>2017</u>		<u>2016</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Furniture and equipment	\$ 41,954	\$ 36,671	\$ 5,283	\$ 6,603

### 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, 2017.

#### 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 \$13,689 (2016 - \$25,092). 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 \$21,907 (2016 - \$33,012). 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	2017	2016
	<u>Actual</u>	<u>Actual</u>
<b>Administration</b>		
Amortization	\$ 1,321	\$ 1,204
Federation of Agriculture	12,000	12,000
Honorariums	12,000	12,000
Insurance	1,608	1,558
Interest and bank charges	737	755
Office and postage	4,384	3,721
Per diems	7,950	8,550
Professional fees	15,232	16,309
Rent	3,167	3,167
Telephone	3,479	4,342
Travel and meetings	4,933	6,353
Wages and benefits	<u>30,890</u>	<u>29,151</u>
	<u>\$ 97,701</u>	<u>\$ 99,110</u>
<b>Regulation</b>		
Levy – CFC	\$ 99,600	\$ 113,604
Over production levy	-	127,852
Office and postage	7	14
Professional fees	7,813	-
Travel and meetings	5,035	5,120
Wages and benefits	<u>31,856</u>	<u>30,064</u>
	<u>\$ 144,311</u>	<u>\$ 276,654</u>
<b>Promotion</b>		
Donations	\$ 1,500	\$ 1,500
Office and postage	4	4
Promotion	9,982	5,395
Travel and meetings	2,352	2,326
Wages and benefits	<u>14,417</u>	<u>13,667</u>
	<u>\$ 28,255</u>	<u>\$ 22,892</u>
<b>Facilitation</b>		
Office and postage	\$ 5	\$ 7
Travel and meetings	3,135	3,439
Wages and benefits	<u>19,222</u>	<u>18,216</u>
	<u>\$ 22,362</u>	<u>\$ 21,662</u>
<b>Total expenses</b>	<u>\$ 292,629</u>	<u>\$ 420,318</u>