

Chicken Farmers of Newfoundland and Labrador

Annual Performance Report



Fiscal Year 2015



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Message from the Chair 2015

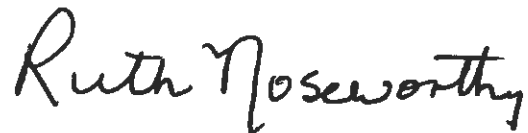
It is my pleasure, on behalf of the Board of Directors to present the Annual Performance Report of the Chicken Farmers of Newfoundland and Labrador for the fiscal year ended December 31, 2015. The Chicken Farmers of Newfoundland and Labrador is a non-profit Crown Agency with a mandate to promote, regulate and control the production and marketing of chicken by producers and processors. The term of each board member is at the discretion of the minister.

The revenues and expenditures of the board remain similar from year to year; for further details please refer to the attached audited financial statements.

This Annual Performance Report has been prepared in accordance with the *Transparency and Accountability Act* provisions for a Category Three entity. This report presents an update on the progress that has been made in 2015 on the objectives identified by the Chicken Farmers of Newfoundland and Labrador in its 2014-16 Activity Plan.

Each year challenges and opportunities develop in the chicken industry, the board will work to ensure the sustainability and prosperity of our industry. My signature below is indicative of the entire board's accountability for the actual results reported in this document.

Yours Sincerely,



Ruth Noseworthy
Chair
CFNL

Overview

Chicken Farmers of Newfoundland and Labrador (CFNL) is a non-profit Crown Agency, which was established in 1981 by the *Newfoundland and Labrador Chicken Marketing Scheme* (the *Scheme*) under the *Natural Products Marketing Act, 1973* (the *Act*). The purpose and intent of CFNL is to provide for the effective promotion, control and regulation of the production and marketing of chicken within the province, including the prohibition of production or marketing of chicken.

The board administers the regulation and marketing of chicken as provided for in the *Act* and the *Scheme* under the laws of the Province of Newfoundland and Labrador. The board operates under a risk management system commonly known as "supply management." The board is comprised of four directors appointed by the Minister Responsible for the Forestry and Agrifoods Agency as per regulations. CFNL is supported by one permanent employee and the office is located in the Avalon region. CFNL reports to the Farm Industry Review Board; which is the supervisory board.

Chairperson – Mrs. Ruth Noseworthy
Vice-Chairperson – Mr. Keith Deering
Director – Mr. Davis Noel
Director – Mr. Andy Lerner
Executive Director – Mr. Ron Walsh

For information about CFNL and its' work, please contact us at:

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Telephone: 709-747-1493
Fax: 709-747-0544
Email: rwalsh@nlchicken.com

Physical location: 308 Brookfield Road, Agriculture Canada Building 6, St. John's.

Vision: The vision of CFNL is of a chicken industry which is stable, prosperous and robust and provides a safe, secure supply of chicken to the people of Newfoundland and Labrador for the long term.

Lines of Business:

The CFNL provides the following lines of business:

1. **Regulatory Role** - CFNL regulates the production of chicken through a production licence. This licence permits the holder to produce, or to have produced by a contract grower, chicken to the extent of the production quota shown on that licence in accordance with the *Newfoundland and Labrador Chicken Marketing Scheme* and any orders or regulations made with respect to the production and marketing of chicken by the Minister or the commodity board and the terms and conditions of a production licence imposed by a commodity board upon a producer.
2. **Signatory Role** - The Minister Responsible for the Forestry and Agrifoods Agency, Farm Industry Review Board and CFNL are the Newfoundland and Labrador signatories to the Federal-Provincial Agreement for Chicken with the Federal Minister, other provincial and territorial ministers and supervisory and chicken supply managed boards in Canada.
3. **Promotion Role** - CFNL promotes the sustainability of the industry utilizing the supply management system, sponsoring activities aimed at encouraging chicken consumption, collaborating with stakeholders of the chicken industry and direct support of the farming community. Annual promotion and marketing activities of the board may include participation in trade shows, lobby days, consumer education and advertising campaigns (e.g. brochures, agricultural campaigns and website development). The frequency of these activities is dependent upon the financial resources of the board.
4. **Facilitator Role** - The Chicken Farmers of Newfoundland and Labrador acts as a facilitator with regards to food safety and animal care and conducts food safety and animal care audits of each program to determine compliance. Research and development is also facilitated through participation in projects and research trials.

Mandate

CFNL operates under the authority of the Minister responsible for the Forestry and Agrifoods Agency in accordance with the *Newfoundland and Labrador Chicken Scheme* under the *Natural Products Marketing Act*. CFNL controls and regulates the quota for chicken in the province.

The commodity board shall promote, regulate and control the production and marketing of chicken by producers and processors and will participate in national allocation meetings with the Chicken Farmers of Canada to achieve its' mandate.

Mission Statement

CFNL is committed to the improvement of the chicken industry by supporting a responsive, efficient and economical production system. This approach will provide a strong chicken industry that contributes to a sustainable, secure food supply for the province of Newfoundland and Labrador.

Mission: By Dec 31, 2016 CFNL will have supported enhancements to the provincial chicken industry.

Measure: Supported enhancements

Indicators:

- Increased programming to support animal care and food safety initiatives within the industry
- Increased promotion of the chicken industry
- Enhanced governance and decision making processes

Activities

In order to facilitate a chicken industry that is sustainable and effective CFNL has continued to pursue best management practices which provide value to the industry. Two priority issues; Food Safety/Animal Care and Industry Sustainability/Growth, have been the activities CFNL has chosen to focus on for the 2014-2016 period. An objective has been chosen for each issue and these objectives will be pursued each year covered by our activity plan. Indicators that support the objectives will be set annually for each objective.

Issue One: Food Safety / Animal Care

The Newfoundland and Labrador chicken industry works closely with its partners to ensure that stringent regulations related to the care and handling of our chickens are met and followed. It is in the best interest of all industry members to see that all of the birds are raised the best way possible. In addition, farmers follow a national On-Farm Food Safety Assurance Program (OFFSAP) that emphasizes health, cleanliness and safety throughout each step of the production cycle, and follow strict biosecurity measures to protect animal health and prevent flock infections from outside sources. Having a credible and auditable Food Safety and Animal Care Program (ACP) is essential to meeting the needs of today's consumer. This work supports the Provincial Government's strategic direction of enhanced utilization, sustainability and public awareness of the agriculture and agrifoods sectors. In particular, CFNL's work in this issue area in 2015 supported the resource sustainability component outlined in the strategic direction, in addition, to the awareness and education component and the industry development component. This will be demonstrated below with the activities CFNL has undertaken.

Objective 1:

By December 31, 2015, Chicken Farmers of Newfoundland and Labrador will have advanced initiatives related to food safety and animal care in the provincial chicken industry.

Measure: Advanced initiatives

Indicators:

- CFNL will have performed audits of the On-Farm Food Safety Assurance Program and the Animal Care Program with participating chicken producers
- Continued to provide program-related education and training and other supports as required to producers
- Participated in Chicken Farmers of Canada review of food safety and animal care program

CFNL will have performed audits of the On-Farm Food Safety Assurance Program and the Animal Care Program with participating chicken producers:

In 2015, CFNL was successful with auditing the OFFSAP on 100% of farms and 100% have been recertified. A certified commodity specific food safety auditor has conducted audits on each farm, resulting in each farm being certified on the food safety program. A permanent cycle of rotating full and partial audits has been scheduled for each chicken producer and this determines the level of the audit that is to occur. A full audit covers the entire program while a partial audit reviews selected areas of the program. In 2015, three full audits and four partial audits were performed.

In 2015, CFNL was successful with auditing the ACP on 100% of farms and each farm audited was recertified/certified. A certified commodity specific animal care auditor conducted the audits for the ACP. The ACP is designed to demonstrate the level of care given to Canadian chickens and to complement the OFFSAP. The ACP provides assurance through documentation that farmers are meeting appropriate animal care standards. In 2015, three full audits and four partial audits were performed.

Continued to provide program-related education and training and other supports as required to producers:

In 2015, government introduced a regulation; *Program Compliance Order*, on February 6, 2015 to have the ACP become mandatory for all commercial chicken producers. The Chicken Farmers of Canada has developed a comprehensive animal care program designed to demonstrate the level of care given to Canadian chickens. The program was designed to complement the food safety program and to provide assurance through documentation that farmers are meeting appropriate animal care standards. The board provided producers with copies and an explanation of the components of the regulation to assist them with compliance with the regulation. All producers have achieved certification on the ACP.

In April 2015 at CFNL's annual general meeting a nutritionist was the guest speaker and informed producers regarding the benefits of proper nutrition. The presentation covered seven areas that could be explored to improve the absorption of proper nutrients. Elements such as; temperature, brooding period, health of the flock, stress, feed, ventilation and biosecurity practices were crucial in provision of proper nutrition for the chickens. Producers also had the opportunity to seek advice one on one with the guest speaker and a farm visit was arranged to permit onsite advice for a producer.

Participated in Chicken Farmers of Canada review of food safety and animal care program:

In April of 2015 CFNL provided feedback to CFC regarding biosecurity protocols, data management and auditor education requirements which helped to enhance the management of the food safety and animal care programs. The review was intended to

discuss proposed changes to the management of the programs and the producer manuals. Amendments resulting from the feedback are phased in over time to improve the validity of the program. CFC conducts a management review every eighteen months and CFNL will continue to participate in the review. It is understood that the programs will continue to evolve to incorporate best management practices that deliver value to the chicken industry.

As stated earlier, the objective provided above will be pursued by CFNL in all three years covered by its 2014-2016 Activity Plan. The board has determined that the indicators provided for 2015 are also still valid for 2016. As such, the objective and indicators for Issue 1 for 2016 are as follows:

Objective 1: By December 31, 2016, Chicken Farmers of Newfoundland and Labrador will have advanced initiatives related to food safety and animal care in the provincial chicken industry.

Measure: Advanced initiatives

Indicators (2016):

- CFNL will have performed audits of the On-Farm Food Safety Assurance Program and the Animal Care Program with participating chicken producers
- Continued to provide program-related education and training and other supports as required to producers
- Participated in Chicken Farmers of Canada review of food safety and animal care program

Issue 2: Industry Sustainability/Growth

The Chicken Farmers of Newfoundland and Labrador works closely with all of its partners to ensure sustainability and proper development of the chicken industry, provincially and nationally. A vibrant and healthy chicken industry that has the ability to sustain itself remains paramount. Building a chicken industry on a foundation that fosters collaboration, consultation and cooperation throughout the entire value chain promotes long term success among all partners within the chicken industry. Accepting new methods of production and technology provide the chicken industry with the ability to adapt better and faster to economic cycles and establishes long term sustainability for the chicken industry. This work supports the Provincial Government's strategic direction of enhanced utilization, sustainability and public awareness of the agriculture and agrifoods sectors. In particular, CFNL's work in this issue area in 2015 supported the awareness and education component, in addition to industry development, resource sustainability and research and development components outlined in the strategic direction. This will be demonstrated below with the activities CFNL has undertaken.

Objective 2:

By December 31, 2015, CFNL will have supported initiatives for the continued viability of the provincial chicken industry.

Measure: Supported initiatives

Indicators:

- Actively participated, with federal and provincial counterparts, in the national supply management system for chicken
- Facilitated research and development to identify means to support chicken production in the province
- Continued promotional efforts related to the consumption of provincial chicken

Actively participated, with federal and provincial counterparts, in the national supply management system for chicken:

In 2015, negotiations continued with the other provinces to finalize the operating agreement; an agreement under which provinces produce chicken. The operating agreement is the mechanism by which chicken is allocated to each province. Once production is allocated it is administered by each province to chicken producers. Specific areas of the agreement required clarification in order to ratify the agreement. CFNL continued to represent the interest of the Newfoundland and Labrador chicken industry while acknowledging it is a Canadian chicken industry. Each province has continued to commit to improving the efficiency of the value chain, while maintaining chicken production in every province. Ratification of the agreement is targeted for 2016.

Facilitated research and development to identify means to support chicken production in the province:

In 2015, the chicken industry along with many other agricultural commodities continued to experience a decline in the availability of wood shavings; which is the bedding material for chickens. CFNL continued to research and investigate alternative bedding materials and initiated a research project aimed at reducing the chicken industry's dependence on wood shavings by utilizing paper and cardboard as a bedding material. With financial assistance from the Multi-Materials Stewardship board and assistance from the Forestry and Agrifoods Agency staff CFNL was successful in utilizing cardboard as an alternate source of bedding for the chicken industry. The results from the project demonstrated that cardboard is a suitable source of bedding material for the chicken industry. Paper bedding did not lend itself to the project objective and demonstrated that it was not suitable for bedding material for the chicken industry as defined by the project parameters; it was incompatible with the equipment that was utilized.

As a result of demonstrating that cardboard is a suitable bedding material for the chicken industry further exploration of cardboard as a soil amendment was required. CFNL endeavored to understand the implications of introducing cardboard as a soil amendment and clarification on the composition of cardboard was pursued. Analysis of the cardboard material is underway. Results of the analysis will determine if utilization of cardboard as a bedding material for the chicken industry can be fully implemented. Conclusion of the analysis is expected in 2016.

In 2015, CFNL sent five chicken producers to Moultrie, Georgia USA to investigate and research the various types of shaver/planer mills available for processing logs. The goal of this activity was an attempt to alleviate the availability of bedding material for the chicken industry; financial assistance from the Growing Forward 2 funding program made this activity possible. If producers gain the ability to process their own logs into shavings for bedding it may alleviate the bedding shortage. Producers had an opportunity to investigate a shaver/planer mill in operation and received instruction on the capabilities and operation of it from the manufacturer. Various models and designs of shaver/planer mills are available, along with complimentary machinery such as; blowers and conveyors. Having observed the types of machinery functioning and the various types available the producers were able to access if this type of technology was appropriate to alleviate the bedding shortage. Producers benefited from an increase in knowledge and techniques used to achieve efficiencies and solutions to challenges facing the poultry industry.

Continued promotional efforts related to the consumption of provincial chicken:

In 2015, CFNL again participated in the annual 'Farmers Field Day' held by Agriculture and Agri-Food Canada every August and donated Newfoundland and Labrador raised chicken products for the annual chicken barbeque held at the Agricultural Research Center in St. John's. CFNL managed and served the chicken dinner to the public with the assistance of the Swimming Newfoundland and Labrador organization. This event provided consumers with the opportunity to ask questions directly about chicken and to receive feedback. This event provided the public with an opportunity to learn more about agriculture, how food is produced and an opportunity to taste the products that are produced by the agricultural community. CFNL will continue its involvement with this community outreach activity and will endeavor to create an event that provides the public with learning opportunities while also providing a flavorful and nutritious meal for a nominal fee.

In 2015, CFNL provided sponsorship for a culinary tour across Newfoundland and Labrador titled, "From this Rock". The food offered at the events were comprised of locally grown and produced food that was prepared by some of the province's best chefs. The culinary tour travelled to twelve different destinations throughout Newfoundland and Labrador and provided participants with a culinary experience featuring locally produced food. This event was a great opportunity to promote the delicious and nutritious value of chicken while having it prepared by some of the top chefs in Newfoundland and Labrador.

As stated earlier, the objective provided above will be pursued by CFNL in all three years covered by its 2014-2016 Activity Plan. The board has determined that the indicators provided for 2015 are also still valid for 2016. As such, the objective and indicators for Issue 2 for 2016 are as follows:

Objective 2: By December 31, 2016, Chicken Farmers of Newfoundland and Labrador will have supported initiatives for the continued viability of the provincial chicken industry.

Measure: Supported initiatives

Indicators (2016):

- Actively participated, with federal and provincial counterparts, in the national supply management system for chicken
- Facilitated research and development to identify means to support chicken production in the province
- Continued promotional efforts related to the consumption of provincial chicken

Financials



Financial Statements

Chicken Farmers of Newfoundland and Labrador

December 31, 2015

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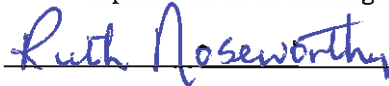
Statement of Responsibility

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.

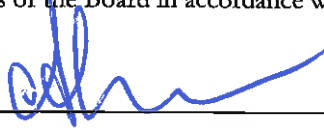
In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that financial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



Chair



Director



Independent Auditors' Report

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St. John's, NL
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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, 2015 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, 2015, 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 24, 2016

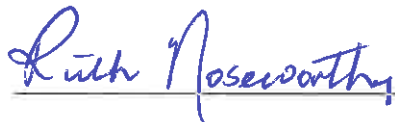


Chartered Professional Accountants

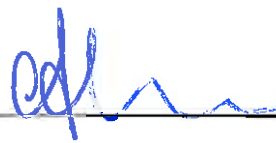
Chicken Farmers of Newfoundland and Labrador Statement of Financial Position

December 31	2015	2014
Financial assets		
Cash and cash equivalents	\$ 120,949	\$ 97,532
Receivables (Note 5)	17,415	23,334
Investments	<u>42,194</u>	<u>28,658</u>
	<u>180,558</u>	<u>149,524</u>
Liabilities		
Payables and accruals	31,283	29,838
Accrued severance pay	<u>11,092</u>	<u>9,423</u>
	<u>42,375</u>	<u>39,261</u>
Net financial assets	<u>138,183</u>	<u>110,263</u>
Non-financial assets		
Prepays	2,447	2,240
Tangible capital assets (Note 6)	<u>4,233</u>	<u>13,882</u>
	<u>6,680</u>	<u>16,122</u>
Accumulated surplus	<u>\$ 144,863</u>	<u>\$ 126,385</u>

On behalf of the Board



Chair



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 2015	Budget 2015	Actual 2014
Revenue			
Levies	\$ 310,976	\$ 294,150	\$ 300,871
Grant funded projects	19,716	-	10,287
Interest and miscellaneous	<u>1,382</u>	<u>50</u>	<u>110</u>
	332,074	294,200	311,268
Other costs			
Costs for Grant funded projects	19,037	5,000	8,499
Loss on disposal of asset	<u>9,242</u>	<u>-</u>	<u>-</u>
	<u>303,795</u>	<u>289,200</u>	<u>302,769</u>
Expenses (Page 13)			
Administration	99,657	106,392	112,378
Regulatory	137,356	134,763	131,454
Promotion	25,127	25,688	23,647
Facilitation	<u>23,177</u>	<u>22,251</u>	<u>20,995</u>
	<u>285,317</u>	<u>289,094</u>	<u>288,474</u>
Annual surplus	<u>\$ 18,478</u>	<u>\$ 106</u>	<u>\$ 14,295</u>
Accumulated surplus, beginning of year	\$ 126,385	\$ 126,385	\$ 112,090
Annual surplus	<u>18,478</u>	<u>106</u>	<u>14,295</u>
Accumulated surplus, end of year	<u>\$ 144,863</u>	<u>\$ 126,491</u>	<u>\$ 126,385</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 2015	Budget 2015	Actual 2014
Annual surplus	\$ 18,478	\$ 106	\$ 14,295
Amortization of tangible capital assets	850	-	1,283
Purchase of tangible capital assets	(443)	-	(9,794)
Loss on disposal of tangible capital assets	9,242	-	-
(Increase) decrease in prepaids	<u>(207)</u>	<u>-</u>	<u>870</u>
Increase in net assets	27,920	106	6,654
Net financial assets, beginning of year	<u>110,263</u>	<u>110,263</u>	<u>103,609</u>
Net financial assets, end of year	<u>\$ 138,183</u>	<u>\$ 110,369</u>	<u>\$ 110,263</u>

See accompanying notes to the financial statements.

Chicken Farmers of Newfoundland and Labrador

Statement of Cash Flows

Year Ended December 31

2015

2014

Increase in cash and cash equivalents

Operating

Annual surplus \$ 18,478 \$ 14,295

Change in non-cash items

Accrued severance pay 1,669 1,501

Amortization 850 1,283

Receivables 5,920 298

Loss on disposal of asset 9,242 -

Prepays (207) 870

Payables and accruals 1,446 6,429Cash provided by operating transactions 37,398 24,676**Investing**

Purchase of tangible capital assets (443) (9,794)

Reclassification of cash to investments (12,995) (13,007)

Redemption of investments 41,651 -

Purchase of investments (42,194) -Cash used in investing transactions (13,981) (22,801)

Increase in cash and cash equivalents 23,417 1,875

Cash and cash equivalents, beginning of year 97,532 95,657Cash and cash equivalents, end of year \$ 120,949 \$ 97,532

See accompanying notes to the financial statements.

Chicken Farmers of Newfoundland and Labrador

Notes to the Financial Statements

December 31, 2015

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 \$103,659 of levies collected in 2015 (2014 - \$95,714).

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, 2015

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 this investment approximates its 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, 2015

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 the investment.

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, 2015

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, 2015 was \$28,658 (2014 - \$28,658).

5. Receivables	<u>2015</u>	<u>2014</u>
Levies	\$ 17,414	\$ 17,390
Travel advances	<u>-</u>	<u>5,944</u>
	<u>\$ 17,414</u>	<u>\$ 23,334</u>

6. Tangible capital assets	<u>2015</u>		<u>2014</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Furniture and equipment	\$ 38,379	\$ 34,146	\$ 4,233	\$ 13,882

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, 2015.

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 \$17,415 (2014 - \$23,334). 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.

Chicken Farmers of Newfoundland and Labrador

Notes to the Financial Statements

December 31, 2015

7. Financial instruments (cont'd.)

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 \$31,283 (2014 - \$29,838). 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.

Chicken Farmers of Newfoundland and Labrador

Schedule of Expenses

December 31	2015	2014
	<u>Actual</u>	<u>Actual</u>
Administration		
Amortization	\$ 850	\$ 1,283
Federation of Agriculture	12,000	12,000
Honorariums	12,000	12,000
Insurance	1,209	1,619
Interest and bank charges	1,096	998
Office and postage	3,901	6,142
Per diems	10,875	17,525
Professional fees	17,137	17,492
Rent	3,085	3,003
Telephone	4,573	5,375
Travel and meetings	3,699	6,179
Wages and benefits	<u>29,232</u>	<u>28,762</u>
	<u>\$ 99,657</u>	<u>\$ 112,378</u>
Regulation		
Levy – CFC	\$ 103,659	\$ 95,714
Office and postage	715	979
Travel and meetings	2,837	5,716
Wages and benefits	<u>30,145</u>	<u>29,045</u>
	<u>\$ 137,356</u>	<u>\$ 131,454</u>
Promotion		
Donations	\$ 1,500	\$ —
Office and postage	325	445
Promotion	8,346	7,905
Travel and meetings	1,255	2,095
Wages and benefits	<u>13,701</u>	<u>13,202</u>
	<u>\$ 25,127</u>	<u>\$ 23,647</u>
Facilitation		
Office and postage	\$ 433	\$ 593
Travel and meetings	4,475	2,799
Wages and benefits	<u>18,269</u>	<u>17,603</u>
	<u>\$ 23,177</u>	<u>\$ 20,995</u>
Total expenses	<u>\$ 285,317</u>	<u>\$ 288,474</u>