

# Chicken Farmers of Newfoundland and Labrador

## Annual Performance Report



**Fiscal Year 2016**



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# Message from the Chair 2016

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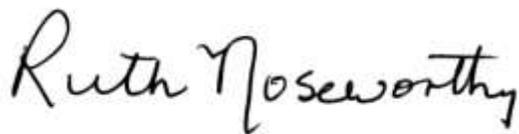
It is my pleasure, on behalf of the Board of Directors to present the Annual Performance Report of the Chicken Farmers of Newfoundland and Labrador for the fiscal year ended December 31, 2016. The Chicken Farmers of Newfoundland and Labrador is a non-profit Crown Agency with a mandate to promote, regulate 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 the conclusion of the progress that has been made in 2016 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

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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 of Fisheries and Land Resources 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.

	<b>2016</b>	<b>2015</b>
<b>Revenues</b>	\$ 461,055.00	\$ 303,795.00
<b>Expenditures</b>	\$ 420,318.00	\$ 285,317.00
<b>Surplus</b>	\$ 40,737.00	\$ 18,478.00

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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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 of Fisheries and Land Resources, 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

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CFNL operates under the authority of the Minister of Fisheries and Land Resources 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

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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

**Mission update:**

The CFNL board has supported enhancements regarding the animal care and food safety initiatives, promotion of the chicken industry, governance and decision making processes at the board.

Increased programming was achieved with the provision of a coach for the animal care and food safety programs. One on one support for producers and training to producers regarding the programs occurred. CFNL held a producer meeting to provide instruction and information regarding antimicrobial use, animal care modifications to the program and food safety modifications to the program. The instruction and information targets improvements to the programs and suggests effective methods of achieving compliance with both the animal care program and the food safety program. Information regarding animal welfare and the newly revised code of practice; *For the Care and Handling of Hatching Eggs, Breeders, Chickens, and Turkeys*, has also been provided to producers to assist them in complying with existing regulations.

Increased promotion of the chicken industry has occurred using the various videos, fact sheets, infographics and press releases provided to CFNL from the national chicken agency, Chicken Farmers of Canada. This educational material allows increased promotion of the chicken industry by identifying the economic benefit and food security that is provided through the system of supply management. Supply management is a system that matches supply with

demand. Additionally, the board undertakes promotional activities through attendance at the annual farm field day held in St. John's; this event provides an opportunity to demonstrate to the public what chickens eat, dispel myths regarding the chicken industry and explain the production model utilized to bring chicken to market. A culinary tour organized by the Restaurant Association of Newfoundland and Labrador is supported by CFNL and is called "From this Rock"; it is an event whereby chefs travel across Newfoundland and Labrador showcasing local food products. This tour provides the public with an opportunity to experience local fare which is prepared professionally and uniquely.

Enhanced governance and decision making processes was achieved utilizing data collection and analysis regarding quota utilization, antimicrobial use, and director feedback after attendance at workshops, meetings and training sessions. Understanding the reasons for underproduction and overproduction of chicken is crucial to preventing significant supply disruptions of chicken in the market place, locally and nationally. Identifying the current level of use of antimicrobials permits the industry to develop reduction strategies and explore alternative treatments for illnesses that may occur within the chicken industry. Feedback from the various meetings, workshops and training sessions enhances the decision making process by using the latest information available regarding a given matter.

# Activities

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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 2016 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, 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:**

- 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 2016 CFNL was successful with auditing the OFFSAP on 100% of farms. A certified commodity specific food safety auditor has conducted audits on each farm. 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 2016, four full audits and two partial audits were performed. All producers have been recertified on this program.

In 2016, CFNL was successful with auditing the ACP on 100% of farms. 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 2016, four full audits and two partial audits were performed. All producers have been recertified on this program.

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

In 2016, CFNL sent several producers and industry personnel to an education and training session regarding the practice of euthanasia. At this session proper methods of euthanasia were taught and demonstrated by a veterinarian to the producers and industry personnel. All producers and industry personnel that attended the training session received a certificate indicating they had successfully completed the course. These trained individuals will now be able to assist other producers and industry personnel with implementing proper euthanasia methods.

In 2016, CFNL provided producers and industry personnel with copies of the newly developed code of practice titled, *For the Care and Handling of Hatching Eggs, Breeders, Chickens, and Turkeys* were developed by the National Farm Animal Care Council. This document outlines the proper care for raising poultry. A copy of the requirements of the code of practice was provided for each producers' reference. CFNL arranged a farm visit to assist a producer with achieving compliance with the requirements of the code of practice. This service is available to all producers.

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

In 2016, CFNL provided feedback to CFC regarding enhancement of the food safety and animal care programs. Topics such as: water quality, hand washing, cleaning and disinfecting, density and lighting were the issues that CFNL provided feedback on. The feedback CFNL provides endeavors to align both programs with existing and evolving legislation and regulations. The feedback is intended to provide guidance to developing a creditable, verifiable and sustainable 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 2016 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, 2016, 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 2016, 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. Various segments of the agreement have required further clarification which involves seeking advice from authorities overseeing the industry. 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 2017.

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

In 2016, CFNL had the analysis of cardboard; used in an on farm trial, completed by a certified laboratory. Identifying the various components contained within cardboard was necessary to determine if cardboard was appropriate for continued use in the poultry industry. The analysis provided detailed information regarding the chemical composition of cardboard and indicated the levels the components that were present within the cardboard. A soil fertility specialist reviewed the analysis provided by the certified laboratory. The components identified through the laboratory analysis were present in the cardboard below levels that had been identified as acceptable levels by governing bodies. Understanding the composition of cardboard is crucial when determining the use of it in the poultry industry. Cardboard is indeed a suitable replacement for wood shavings as a bedding material as long as the components of the cardboard are understood and acceptable as a soil amendment.

Continued promotional efforts related to the consumption of provincial chicken:

In 2016, CFNL participated in the annual 'Farmers Field Day' held by Agriculture and Agri-Food Canada every August at the Agricultural Research Center in St. John's. This event provided consumers with the opportunity to ask questions directly about the chicken industry and to receive immediate feedback. A demonstration was provided on what chickens eat and how long it takes chickens to achieve market weight. CFNL will continue its involvement with this community outreach activity and will endeavor to create an event that provides the public with learning opportunities.

In 2016, 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 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.

# FINANCIALS



Financial Statements

Chicken Farmers of Newfoundland and Labrador

December 31, 2016

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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, 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
<b>Financial assets</b>		
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>
<b>Liabilities</b>		
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>
<b>Net financial assets</b>	<u>176,879</u>	<u>138,183</u>
<b>Non-financial assets</b>		
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>
<b>Accumulated surplus</b>	<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
<b>Revenue</b>			
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
<b>Other costs</b>			
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>
<b>Expenses (Page 12)</b>			
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>
<b>Annual surplus</b>	<b><u>\$ 40,737</u></b>	<b><u>\$ 3,019</u></b>	<b><u>\$ 18,478</u></b>
<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	<b>38,696</b>	<b>3,019</b>	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
Change in non-cash items		
Accrued severance pay	333	1,669
Amortization	1,204	850
Receivables	(9,658)	5,920
Loss on disposal of asset	-	9,242
Prepays	330	(207)
Payables and accruals	<u>1,729</u>	<u>1,446</u>
Cash provided by operating transactions	<u>34,675</u>	<u>37,398</u>

**Investing**

Purchase of tangible capital assets	(3,575)	(443)
Reclassification of cash to investments	-	(12,995)
Increase in investments	(388)	-
Redemption of investments	-	41,651
Purchase of investments	<u>-</u>	<u>(42,194)</u>
Cash used in investing transactions	<u>(3,963)</u>	<u>(13,981)</u>
Increase in cash and cash equivalents	30,712	23,417
Cash and cash equivalents, beginning of year	<u>120,949</u>	<u>97,532</u>
Cash and cash equivalents, end of year	<u>\$ 151,661</u>	<u>\$ 120,949</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, 2016

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### 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.

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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 \$241,456 of levies collected in 2016 (2015 - \$103,659).

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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, 2016

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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, 2016

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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, 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>
<b>Administration</b>		
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>
	<b>\$ 99,110</b>	<b>\$ 99,657</b>
<b>Regulation</b>		
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>
	<b>\$ 276,654</b>	<b>\$ 137,356</b>
<b>Promotion</b>		
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>
	<b>\$ 22,892</b>	<b>\$ 25,127</b>
<b>Facilitation</b>		
Office and postage	\$ 7	\$ 433
Travel and meetings	3,439	4,475
Wages and benefits	<u>18,216</u>	<u>18,269</u>
	<b>\$ 21,662</b>	<b>\$ 23,177</b>
<b>Total expenses</b>	<b><u>\$ 420,318</u></b>	<b><u>\$ 285,317</u></b>