

Chicken Farmers of Newfoundland and Labrador

Annual Performance Report



Fiscal Year 2017



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Message from the Chair 2017

It is my duty and 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, 2017. 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 appointment and length of term of each Board member is at the discretion of the Minister. A new merit-based process has been introduced for all appointments that fall under Schedule C of the **Public Service Commission Act**. Opportunities for appointments will be posted on the Agencies, Boards and Commissions website and interested persons can apply to the Public Service Commission; it ensures that candidates meet the relevant requirements. A list of qualified individuals will be forwarded to the Minister for consideration.

The revenues and expenditures of the Board are decreased this year due to an absence of an over-marketing levy and a reduction in the amount of chicks placed at the farm due to labour negotiations; for further details regarding revenues and expenditures 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 reflects the progress that has been made in 2017 on the objectives identified by the Chicken Farmers of Newfoundland and Labrador in its 2017-19 Activity Plan.

The Chicken Farmers of Newfoundland and Labrador has worked hard to overcome the challenges it faced this year and maximized opportunities that were presented 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 1980 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 CFNL regularly convenes six to seven times a year to review chicken allocation, legislation, policies and market conditions.

The CFNL 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 CFNL operates under a risk management system commonly known as “supply management.” The *Scheme* directs the appointment of a three to five member Board to be appointed by the Minister of Fisheries and Land Resources. 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. The CFNL is self-funded; all chicken producers are required to pay a service charge of \$0.0159 per kilogram (live weight), plus HST, to the Board. CFNL expenditures are paid using this service charge. Further information on the revenue source can be found in Appendix A under the revenue section.

The levy price per kilogram (live weight) paid to the Board of CFNL from the producer is set by the Board of the CFNL. The levy is comprised of a Provincial levy of \$0.0106 cents/kilogram and a Chicken Farmers of Canada levy of \$0.0053 cents/kilogram. This is a total of \$0.0159 cents/kilogram for every kilogram of live weight chicken processed.

	2017	2016
Revenues	\$ 299,349.00	\$ 477,975.00
Expenditures	<u>\$ 292,629.00</u>	<u>\$ 437,238.00</u>
Surplus	\$ 6,720.00	\$ 40,737.00

Position	Name	Community	Start Date	End Date
Chair	Ruth Noseworthy	Paradise	11/06/2007	At Pleasure
Vice-Chair	Vacant			
Director	Andy Larner	Whitbourne	14/05/2004	At Pleasure
Director	Davis Noel	Paradise	14/05/2004	At Pleasure
Director	Vacant			
Executive Director	Ron Walsh	Conception Bay South		

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

Chicken Farmers of Newfoundland and Labrador

P.O. Box 8098

St. John's, NL

A1B 3M9

Telephone: 709-747-1493

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Email: rwalsh@nlchicken.com

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

This report is available in alternate format. Please contact the above if required.

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 CFNL and the terms and conditions of a production licence imposed by CFNL 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.

Highlights and Partnerships

The CFNL works in partnership with producers and the national agency; Chicken Farmers of Canada, to achieve common goals and move the chicken industry towards increased sustainability.

The CFNL deals directly with producers to monitor chicken production, coordinate initiatives aimed at increasing commercial viability of the industry and deliver the food safety and animal care programs. This collaborative activity ensures compliance with existing legislation and drives the industry towards sustainable practices that yield public good.

Chicken Farmers of Canada is comprised of fourteen directors representing member organizations plus a Chair. There are ten directors appointed by provincial chicken boards, 2 directors appointed by the Canadian Poultry and Egg Processors Council and 1 director each appointed by the Further Poultry Processors Association of Canada and Restaurants Canada. The member organizations also appoint an alternate for each director. CFNL is represented at Chicken Farmers of Canada by two delegates; a director and an alternate, which represent Newfoundland and Labrador. CFNL delegates are the Chair and the Vice-Chair of CFNL respectively. Chicken Farmers of Canada provides a forum for each province to provide input regarding regional, provincial, national and international matters.

Mandate

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.

Activities

Issue One: Emergency Preparedness

The Newfoundland and Labrador chicken industry provides a significant contribution to the agriculture industry through the provision of food products and employment. Mitigating any disruption that may occur within the chicken industry requires advance planning and strategic efforts to limit the impact that may result due to man-made or natural disasters.

Objective 1:

By December 31, 2017, Chicken Farmers of Newfoundland and Labrador will have advanced initiatives related to emergency planning and preparedness in the provincial chicken industry.

Indicators:

- Completed consultations with industry personnel
- Evaluated the status of the emergency preparedness plan for the poultry industry
- Developed an approach to enhance the existing emergency preparedness plan for the poultry industry

Completed consultations with industry personnel:

In 2017, CFNL successfully completed consultations with industry personnel knowledgeable with respect to emergency preparedness. An emergency preparedness committee was established to act as a repository for the information digestion and collation of the information. All meetings of the committee were held at the CFNL board office and the committee included representation from the chicken industry, Fisheries and Land Resources staff – poultry veterinarian and poultry specialist, Canadian Food Inspection Agency and the egg industry. A two day committee meeting was held February 28 and March 1 to begin review of the plan and to determine the scope of the work to be performed. Another committee meeting was held on September 20 to review possible improvements to the plan and permit feedback on amendments that were suggested. Three additional meetings were held; May 10, June 22 and November 6, with the poultry specialist to clarify points of interest and concern. Each member of the committee consulted with their colleagues and industry to obtain feedback and input.

Evaluated the status of the emergency preparedness plan for the poultry industry:

In 2017, CFNL successfully evaluated the emergency preparedness plan for the poultry industry. The emergency preparedness committee evaluated the existing emergency preparedness plan line by line to scrutinize the efficacy of the plan should a disaster occur. An outbreak of disease or natural disaster could have widespread impacts on the chicken industry, human health, wildlife and other sectors, resulting in major losses if not dealt with in an effective and timely manner. The roles and responsibilities of each stakeholder were evaluated against current legislation, policies and good production practices. The completed evaluation of the emergency plan resulted in several areas being identified as deficient or in need of modification. A list of the areas for improvement was compiled so that amendments to the plan could be developed and implemented.

Developed an approach to enhance the existing emergency preparedness plan for the poultry industry:

In 2017, CFNL developed an approach to enhance the existing emergency preparedness plan for the poultry industry. It involved eliminating the deficiencies that were identified as a result of the evaluation that was conducted and implementation of modifications to strengthen the plan in the event of an emergency. A revised emergency preparedness plan would be needed to eliminate the gaps identified in the emergency plan. These approaches shall enhance the poultry industry's emergency preparedness. A draft revised emergency preparedness plan is under development and will be presented in 2018 for approval. An effective emergency preparedness plan ensures that disruptions that may occur in the chicken industry are able to be mitigated and minimized.

The objective provided above will be pursued by CFNL again in 2018. The Board has determined that the indicators provided for 2017 will need to be amended to reflect the completion of the revised emergency preparedness plan in 2018. As such, the objective and indicators for Issue 1 for 2018 is as follows:

Objective 2: By December 31, 2018, Chicken Farmers of Newfoundland and Labrador will have advanced initiatives related to emergency planning and preparedness in the provincial chicken industry.

Indicators:

- Completed revised emergency preparedness plan
- Disseminated emergency preparedness plan to stakeholders

Issue Two: Education and Training

The Chicken Farmers of Newfoundland and Labrador is committed to continually improving the knowledge and skillset of stakeholders in the chicken industry. Providing training and education to participants within the chicken industry raises the level of understanding and awareness of issues related to the chicken industry. Increased knowledge regarding issues related to the chicken industry affords individuals the opportunity for improved decision making.

Objective 1:

By December 31, 2017, CFNL will have supported initiatives to increase training and education of the poultry sector participants.

Indicators:

- Coordinated commodity specific training for industry personnel and Board members
- Hosted education and training sessions for producers and Board members

Coordinated commodity specific training for industry personnel and Board members:

In 2017, CFNL coordinated commodity specific training for industry personnel to increase the knowledge and practical application of welfare criteria and standards of caring for poultry. CFNL sponsored the poultry specialist to attend Professional Animal Auditor certification training for poultry; from October 31 to November 2, which teaches trainees how to audit commercial poultry production facilities. This training aligns with the mandatory animal care program that producers are required to follow. Establishing local auditing personnel trained in animal care and welfare criteria builds on our resource capacity and ensures the appropriate level of expertise is available.

In 2017, scheduling conflicts prevented commodity specific training for Board members. Board members commitments to their existing farm operations and employment commitments restricted opportunities for training activities that the board planned to undertake. Education and training sessions regarding CFNL governance are being planned for the next calendar year.

Hosted education and training sessions for producers and Board members:

In 2017, CFNL facilitated an educational and training session was held in St. John's on April 26 to provide producers, Board members and stakeholders with an opportunity to better understand opposition to animal agriculture. Eighty-three per cent of producers

attended the session. Increasingly, opposition to animal agriculture is surfacing among various sectors of the population and it is important for producers and stakeholders to understand the origins of such opposition. Tactics developed and employed by groups or individuals opposed to animal agriculture were explained and clarified. Mitigation activities to reduce the impact from groups or individuals opposed to animal agriculture were also explained and clarified. Participants that attended the session learned effective, proven techniques that can reduce the stress and turmoil often associated with dealing with those opposed to animal agriculture.

In 2017, CFNL sponsored four educational and training sessions regarding euthanasia at farm sites with 35 participants. On June 8-9, June 29, July 5 and July 13 sessions were held at farm premises in St. John's, Conception Bay, Holyrood and Whitbourne respectively. Euthanasia is the process of ending the life of an individual animal in a way that minimizes or eliminates pain and distress. The goal of the sessions was to educate and train personnel involved in chicken production on how to perform the various euthanasia techniques for poultry. The session demonstrated the correct procedure for euthanasia and how to confirm death. It is critical that euthanasia be done correctly, with respect, and in a timely manner.

The objective provided above will be pursued by CFNL again in 2018. The Board has determined that the indicators provided for 2017 are also valid for 2018. As such, the objective and indicators for Issue 2 for 2018 are as follows:

Objective 2: By December 31, 2018, CFNL will have supported initiatives to increase training and education of the poultry sector participants.

Indicators:

- Coordinated commodity specific training for industry personnel and Board members
- Hosted education and training sessions for producers and Board members

Opportunities and Challenges

Challenges:

The board recognizes that existing legislation pertaining to the chicken industry is in need of updating to reflect the current practices of the industry. We look forward to the opportunity to provide input and feedback to the supervisory board; Farm Industry Review Board, regarding possible amendments to the legislation.

Currently, antimicrobials are used in animal agriculture to prevent, treat, and control certain diseases and to improve production. Since banning the preventative use of Category I antibiotics in 2014 the Chicken Farmers of Canada recently announced an antimicrobial use strategy, which eliminates the preventive use of Category II antimicrobials by the end of 2018. Each farm will have to re-evaluate production practices and determine what works best for their operation. CFNL will actively promote this strategy and will assist producers with achieving this important milestone.

Opportunities:

Chicken Farmers of Canada has developed a “Raised by a Canadian Farmer” brand that will help consumers identify Canadian produced chicken. The brand strategy is designed to indicate that the chicken comes from Canadian farmers and Canadian chicken farmers contribute to a healthier diet for Canadian families with fresh, nutritious chicken. CFNL will encourage and promote this brand initiative.

CFNL understands that challenges and opportunities will continue to emerge regarding the chicken industry and our efforts to address these matters will include consideration of and for all stakeholders. The Board is committed to promoting a sustainable chicken industry through the activities outlined in its mandate.

Financial Statements

Revenues and expenditures for CFNL are generally similar to previous years except for the few items noted below.

Revenues from levies are decreased in 2017 when compared to 2016 resulting from a decrease in chicken production for 2017; due to a reduced number of chicks being placed at the farms and underproduction of allocation amounts. In addition, no over-marketing levy was assessed.

Expenditures are down for 2017 when compared to 2016 as a result of no over-marketing levy assessment being imposed upon the producer for over production.

Professional fees are captured by function; as required by the Public Sector Accounting Standards and depending on the function they are employed they are then categorized appropriately. Professional fees are indicated in the regulation category in 2017 for \$7,813 and are related to fees associated with the food safety and animal care program auditing expenses. In the previous year, we received funding to assist with the expense and the expenditure was captured in “costs for grant funded projects”.

Promotion expenditures are increased due to increased promotional activity conducted by CFNL, which aligns with the budgeted amount for the year.

Appendix A



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
Financial assets		
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>
Liabilities		
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>
Net financial assets	<u>184,871</u>	<u>176,879</u>
Non-financial assets		
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>
Accumulated surplus	<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
Revenue			
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>
	299,349	302,370	477,975
Other costs			
Costs for Grant funded projects	<u>-</u>	<u>-</u>	<u>16,920</u>
	299,349	302,370	461,055
Expenses (Page 12)			
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>
	292,629	301,788	420,318
Annual surplus	<u>\$ 6,720</u>	<u>\$ 582</u>	<u>\$ 40,737</u>
<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	<u>\$ 192,320</u>	<u>\$ 186,182</u>	<u>\$ 185,600</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 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.

Chicken Farmers of Newfoundland and Labrador

Notes to the Financial Statements

December 31, 2017

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.

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).

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, 2017

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

Grant revenue

Revenue from grants is recognized as deferred revenue when amounts have been received but not all eligibility criteria have been met.

Cash and cash equivalents

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

Investment

Non-redeemable guaranteed investment certificates are classified as investments. Interest related to these investments is accrued as earned. The carrying value of these investments approximates their fair value.

Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives generally extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the change in net financial assets for the year.

Tangible capital assets

Tangible capital assets are recorded at cost. Depreciation is provided annually at rates calculated to write off the assets over their estimated useful life as follows, except in the year of acquisition when one half of the rate is used.

Furniture and equipment	20%, declining balance
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Impairment of long-lived assets

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

Chicken Farmers of Newfoundland and Labrador

Notes to the Financial Statements

December 31, 2017

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

Accrued severance pay

Severance pay will be awarded at the rate of one week of salary per year of service to a maximum of 20 weeks and is calculated based upon current salary levels. The amount is payable when the employee ceases employment with the Board.

Financial instruments

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

- cash and cash equivalents;
- receivables;
- investments; and
- payables and accruals.

A financial asset or liability is recognized when the Board becomes party to contractual provisions of the instrument.

The Board initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The Board subsequently measures its financial assets and financial liabilities at cost or amortized cost, except for derivatives and equity securities quoted in an active market, which are subsequently measured at fair value. Changes in fair value are recognized in annual surplus.

Financial assets measured at cost include cash and cash equivalents and receivables.

Financial assets measured at fair value include investments.

Financial liabilities measured at cost include payables and accruals.

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

Financial assets measured at cost are tested for impairment when there are indicators of impairment. Previously recognized impairment losses are reversed to the extent of the improvement provided the asset is not carried at an amount, at the date of the reversal, greater than the amount that would have been the carrying amount had no impairment loss been recognized previously. The amounts of any write-downs or reversals are recognized in net annual surplus.

Chicken Farmers of Newfoundland and Labrador

Notes to the Financial Statements

December 31, 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>
Administration		
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>
Regulation		
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>
Promotion		
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>
Facilitation		
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>
Total expenses	<u>\$ 292,629</u>	<u>\$ 420,318</u>