

# Chicken Farmers of Newfoundland and Labrador

## Annual Performance Report



**Fiscal Year 2013**



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# Message from the Chair 2013

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On behalf of the Board of Directors I am pleased to present the Annual Performance Report of the Chicken Farmers of Newfoundland and Labrador for the fiscal year ended December 31, 2013. 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.

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 2013 on the objectives identified by the Chicken Farmers of Newfoundland and Labrador in its 2011-13 Activity Plan.

As the 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 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. Ed O’Reilly  
Director – Mr. Davis Noel  
Director – Mr. Andy Larner  
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 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 through the supply management system, chicken consumption, chicken industry and 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 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

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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

# 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.

## **Animal Care / Food Safety**

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. Work in this area supports government's strategic direction of Enhanced Resource Management to ensure future Agriculture and Agrifoods Production, with specific impact on the focus area of Resource/Product Safety. This work also supports the government's strategic direction of Enhanced Agriculture and Agrifoods Sectors Innovation, Promotion and Development, with primary impact on the focus area of Agriculture Primary Production.

### **Objective 1:**

By December 31, 2013, CFNL will have implemented initiatives to support animal care and food safety within the provincial chicken industry.

**Measure:** Implemented initiatives

#### **Indicators:**

- Developed procedures to encourage compliance with the programs
- Continued food safety and animal care auditing of farms
- Where appropriate, supported implementation of the food safety and animal care programs as they are modified by Chicken Farmers of Canada (CFC)

Developed procedures to encourage compliance with the programs:

The anniversary date for program audits are fixed every year. In order to maintain compliance with the auditing requirements under the programs, producers must schedule audits during specified audit periods. The audit period for each producer and program is a four month timeframe based on the anniversary date of the original program certification. The start date of the audit period is two months before the anniversary date and the end date is two months after the anniversary date. To ensure that the producer remained compliant with the programs CFNL established a procedure

of contacting each producer individually prior to the audit date of the OFFSAP and ACP to determine a suitable time to conduct the audit. For producers to remain compliant with the program an audit must be conducted within the specified timeframe. The audit date is decided on based on the auditors' and producers' availability within the specified timeframe. This procedure ensured the producers' compliance with the program with respect to the auditing component.

Additionally, CFNL has established a practice of meeting with famers annually to update them regarding the OFFSAP and the ACP. The meeting provides an opportunity to inform and educate farmers regarding the program elements and any upcoming amendments that may be occurring to the programs. This provides the farmer with an opportunity to seek clarification and determine the future direction of the programs which ultimately encourages compliance with the food safety and animal care programs.

Continued food safety and animal care auditing of farms:

In 2013, 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 2013, four full audits and four partial audits were performed.

In 2013, an additional farm was audited by a certified commodity specific animal care auditor for the voluntary ACP increasing the total number of farms certified on the ACP to 63%; which is up from 50% in 2012. 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.

Where appropriate, supported implementation of the food safety and animal care programs as they are modified by Chicken Farmers of Canada:

A revised OFFSAP manual was developed by CFC in 2013 based on the feedback provided by the various stakeholders which included CFNL. Additionally, CFNL attended a training session in October 2013 to review the amendments to the manuals and provided positive feedback regarding the improvements to the programs. The amended programs keep the programs relevant and current with changes that have occurred within the chicken industry regarding chicken production. CFNL communicated these changes to producers at a producer meeting on October 29, 2013.

A management review of the OFFSAP and the ACP was undertaken in November 2013 by CFC and CFNL provided feedback based on the implementation of the programs in Newfoundland and Labrador. The purpose of the management review is to measure the effectiveness of the CFC OFFSAP and ACP, to determine if the programs meet farmer

and management expectations and to determine any required actions to maintain or improve the system.

## **Increased Promotion and Education**

Strengthening the link with consumers and highlighting the importance of agriculture in their daily lives gives farmers an opportunity to provide the consumers with positive messages about agriculture. Information regarding food production and the future of agriculture put in the hands of consumers permits them to make informed choices and increases their confidence in the products they purchase. Work in this area supports government's strategic direction of Enhanced Agriculture and Agrifoods Sectors Innovation, Promotion and Development, with direct impact on the focus area of Promotion and Education.

### **Objective 2:**

By December 31, 2013, CFNL will have increased promotion and educational activities.

**Measure:** Increased activities

#### **Indicators:**

- Created an updated web presence for the CFNL and posted promotional/educational information for the public
- Increased representation at trade shows
- Supported initiatives designed to increase provincial consumption

Created an updated web presence for CFNL and posted promotional/educational information for the public:

In 2013, the CFNL website was updated with the addition of the 2012 Annual Performance Report which provided information on CFNL's 2012 activities. During the year, however, a significant amount of time was diverted from the website enhancement/update activities to industry meetings and CFNL operations. Provincial and National meetings crucial to the ongoing development and enhancement of the chicken industry required CFNL's attention. Additionally, resources such as; personnel and funding limited the scope of further development of the website. As a result, CFNL was unable to provide further updates to the promotion/education information on the website for 2013.

Increased representation at trade shows:

In 2013, CFNL was unable to increase its' presence at the trade shows due to limited personnel availability and other operational priorities that required attention. CFNL attended an agricultural tradeshow in Torbay in October and provided sponsorship for the Trinity Conception Agricultural and Home Crafts fair. These shows provide CFNL with

an opportunity to showcase Newfoundland and Labrador Chicken farmers and educate the public about rural life and chicken production in Newfoundland and Labrador.

Supported initiatives designed to increase provincial consumption:

CFNL participated in the annual Farmers Field Day held by Agriculture and Agri-Food Canada every August and donated chicken products for the annual chicken barbeque held at the Agricultural Research Center in St. John's. This event provides the public with an opportunity to learn more about agriculture and opportunities to taste the products that are produced by the agricultural community.

CFNL invested additional resources and purchased recipe booklets that increased consumers' nutritional and health information and their awareness of the chicken industry. The public were provided with resource materials detailing nutritional and health benefits of chicken, pencils, pens and markers with the CFNL website attached, tattoos and food safety information.

## **Governance Structure**

When good governance practices are adopted value and accountability result. Ensuring that proper structures, responsibilities and processes are employed will assist in accomplishing the mission of our organization. These practices determine how authority is exercised, decisions are made, input is captured and accountability is determined. Oversight by the board will ensure that processes and controls are in place both to manage and monitor risks and to provide for smooth, effective and efficient functioning of CFNL. Work in this area supports government's strategic direction of Enhanced Resource Management to ensure future Agriculture and Agrifoods Production, with specific impact on the focus area of Agrifoods Resource Management.

### **Objective 3:**

By December 31, 2013, CFNL will have further implemented processes to enhance the governance structure for the organization.

**Measure:** Further implemented processes

#### **Indicators:**

- Measured compliance against financial management procedures
- Increased data collection to support better decision making and service delivery
- Continued to review operations to identify opportunities for enhancement/change

#### Measured compliance against financial management procedures:

CFNL adopted Public Sector Accounting Board Standards with regard to its financials reporting. In line with the adoption of the new fiscal reporting CFNL was required to categorize the expenses of the CFNL into four categories: regulation, administrative, facilitation and promotion. In 2013 CFNL reviewed the categories that were established to determine if improvements or additional categories should be developed to enhance the financial reporting. No additional categories were necessary. Furthermore, the financial record keeping entries were reviewed to ensure that the financial practices complied with the newly adopted Public Sector Accounting Board Standards regarding the categories that had been established for expenses.

#### Increased data collection to support better decision making and service delivery:

CFNL broadened its data collection in 2013 with regard to understanding the market conditions within the chicken industry. National and provincial data is collected and reviewed to capture the various conditions that influence the market conditions of the chicken industry. CFNL has expanded data collection to include items such as; provincial and regional boundaries regarding chicken production and specialty chicken production. Information regarding provincial and regional boundaries provides CFNL with an understanding of the various requirements, limitations and expansion opportunities that may exist throughout Canada regarding chicken production. Information regarding specialty chicken production; specific breeds of chicken for various populations, enhances our understanding of non-traditional markets for chicken that offer opportunities for expanding the chicken industry and satisfying a customer demand for chicken products.

#### Continued to review operations to identify opportunities for enhancement/change:

CFNL continued to identify opportunities to enhance the operations of the board with the introduction of a conflict of interest declaration form. These declaration forms complement the conflict of interest guidelines policy that was developed in the previous year. Directors are encouraged to report, discuss and seek further information about real or apparent conflicts of interest. With the introduction of both the conflict of interest guidelines and declaration form CFNL has enhanced the ability of the directors to avoid a conflict of interest, account for their conduct, report a conflict of interest and mitigate a conflict of interest.

# Financials

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Financial Statements

Chicken Farmers of Newfoundland and Labrador

December 31, 2013

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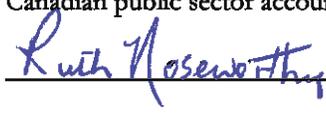
# Statement of Responsibility

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 Institute of Chartered 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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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, 2013 and the statement of operations, 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, 2013, and its financial performance and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*Grant Thornton LLP*

St. John's, Canada

March 6, 2014

Chartered Accountants

# Chicken Farmers of Newfoundland and Labrador

## Statement of Financial Position

December 31	2013	2012
<b>Financial assets</b>		
Cash and cash equivalents	\$ 95,657	\$ 89,397
Receivables (Note 5)	23,632	22,781
Investment	<u>15,651</u>	<u>15,651</u>
	<b>\$ 134,940</b>	<b>\$ 127,829</b>
<b>Liabilities</b>		
Payables and accruals	\$ 23,409	\$ 27,557
Accrued severance pay	<u>7,922</u>	<u>6,601</u>
	<b>31,331</b>	<b>34,158</b>
<b>Net financial assets</b>	<b>\$ 103,609</b>	<b>\$ 93,671</b>
<b>Non-financial assets</b>		
Prepays	\$ 3,110	\$ 2,496
Tangible capital assets (Note 6)	<u>5,371</u>	<u>3,118</u>
	<b>8,481</b>	<b>5,614</b>
<b>Accumulated surplus</b>	<b>\$ 112,090</b>	<b>\$ 99,285</b>

Commitments (Note 7)

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 2013	(Note 8) Budget 2013	Actual 2012
<b>Revenue</b>			
Levies	\$ 284,205	\$ 277,500	\$ 281,724
Grant funded projects	4,448	-	3,300
CFC Summer meeting	49,622	-	-
Interest and miscellaneous	<u>1,771</u>	<u>120</u>	<u>253</u>
	<b>340,046</b>	<b>277,620</b>	<b>285,277</b>
<b>Other costs</b>			
Costs for Grant funded projects	12,588	9,000	13,036
Costs for CFC Summer meeting	<u>52,033</u>	<u>-</u>	<u>-</u>
	<u><b>275,425</b></u>	<u><b>268,620</b></u>	<u><b>272,241</b></u>
<b>Expenses (Page 13)</b>			
Administration	\$ 102,486	\$ 101,076	\$ 121,335
Regulatory	117,148	118,087	117,883
Promotion	22,452	27,076	29,702
Facilitation	<u>20,534</u>	<u>23,185</u>	<u>21,132</u>
	<u><b>262,620</b></u>	<u><b>269,424</b></u>	<u><b>290,052</b></u>
<b>Annual surplus (deficit)</b>	<u><b>\$ 12,805</b></u>	<u><b>\$ (804)</b></u>	<u><b>\$ (17,811)</b></u>
<b>Accumulated surplus, beginning of year</b>	<b>\$ 99,285</b>	<b>\$ 99,285</b>	<b>\$ 117,096</b>
<b>Annual surplus (deficit)</b>	<u><b>12,805</b></u>	<u><b>(804)</b></u>	<u><b>(17,811)</b></u>
<b>Accumulated surplus, end of year</b>	<u><b>\$ 112,090</b></u>	<u><b>\$ 98,481</b></u>	<u><b>\$ 99,285</b></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 2013	(Note 8) Budget 2013	Actual 2012
Annual surplus (deficit)	\$ 12,805	\$ (804)	\$ (17,811)
Amortization of tangible capital assets	943	950	827
Purchase of tangible capital assets	(3,196)	-	-
(Increase) decrease in prepaids	<u>(614)</u>	<u>-</u>	<u>354</u>
Increase (decrease) in net assets	9,938	146	(16,630)
Net financial assets, beginning of year	<u>93,671</u>	<u>93,671</u>	<u>110,301</u>
Net financial assets, end of year	<u>\$ 103,609</u>	<u>\$ 93,817</u>	<u>\$ 93,671</u>

See accompanying notes to the financial statements.

# Chicken Farmers of Newfoundland and Labrador

## Statement of Cash Flows

Year Ended December 31

2013

2012

(Decrease) increase in cash and cash equivalents

**Operating**

Annual surplus (deficit)	\$ 12,805	\$ (17,811)
Change in non-cash items		
Accrued severance pay	1,321	1,705
Depreciation	943	827
Receivables	(851)	(1,676)
Prepays	(614)	354
Current portion of long-term receivable	-	16,940
Payables and accruals	(4,148)	(2,481)
Deferred grant revenue	-	-
Cash provided by (used in) operating transactions	<u>9,456</u>	<u>(2,142)</u>

**Investing**

Purchase of tangible capital assets	<u>(3,196)</u>	-
Cash provided by investing transactions	<u>(3,196)</u>	-
Increase (decrease) in cash and cash equivalents	6,260	(2,142)
Cash and cash equivalents, beginning of year	<u>89,397</u>	<u>91,539</u>
Cash and cash equivalents, end of year	<u>\$ 95,657</u>	<u>\$ 89,397</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, 2013

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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 \$83,367 of levies collected in 2013 (2012 - \$82,639).

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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 Institute of Chartered 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, estimated accrual severance rates for amortization 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, 2013

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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 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.

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# Chicken Farmers of Newfoundland and Labrador

## Notes to the Financial Statements

December 31, 2013

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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 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.

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# Chicken Farmers of Newfoundland and Labrador

## Notes to the Financial Statements

December 31, 2013

### 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, 2013 was \$28,658 (2012 - \$28,658).

5. Receivables	2013	2012
Levies	\$ 21,217	\$ 22,679
Accrued interest	-	102
Travel advances	2,415	-
	<u>\$ 23,632</u>	<u>\$ 22,781</u>

6. Tangible capital assets	2013	2012		
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture and equipment	\$ 37,384	\$ 32,015	\$ 5,369	\$ 3,118

### 7. Commitments

The Board has a commitment under an operating lease for a photocopier. Payments for the next two years are as follows:

2014 - \$3,187; and 2015 - \$1,859

### 8. Budget figures

The reconciliation between the Board's approved financial plan and the PSAB budget figures used in these statements is disclosed in the Schedule of Reconciliation of the Financial Plan to the Budget.

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# Chicken Farmers of Newfoundland and Labrador

## Notes to the Financial Statements

December 31, 2013

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### **9. Financial instruments**

The Board's financial instruments consist of cash and cash equivalents, receivables, investment and payables and accruals. The book value of cash and cash equivalents, receivables, payables and accruals approximate fair value due to their short term maturity date. The investment includes a non redeemable guaranteed investment certificate and interest in accrued as earned, therefore the carrying value of this investment approximate its fair value.

#### **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, 2013.

#### **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 \$23,409 (2012 - \$27,557). 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.

#### **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 \$23,632 (2012 - \$22,781). 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.

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# Chicken Farmers of Newfoundland and Labrador

## Schedule of Expenses

December 31	2013	2012
	<u>Actual</u>	<u>Actual</u>
<b>Administration</b>		
Depreciation	\$ 943	\$ 827
Federation of Agriculture	12,200	12,558
Honorariums	12,000	12,000
Insurance	1,639	1,674
Interest and bank charges	1,451	1,804
Office and postage	3,922	5,205
Per diems	14,350	15,875
Professional fees	15,252	29,038
Rent	3,003	2,836
Telephone	4,846	5,974
Travel and meetings	5,018	7,318
Wages and benefits	<u>27,861</u>	<u>26,226</u>
	<u>\$ 102,486</u>	<u>\$ 121,335</u>
<b>Regulation</b>		
Levy – CFC	\$ 83,367	\$ 82,639
Office and postage	1,263	1,170
Travel and meetings	3,926	7,058
Wages and benefits	<u>28,592</u>	<u>27,016</u>
	<u>\$ 117,148</u>	<u>\$ 117,883</u>
<b>Promotion</b>		
Donations	\$ -	\$ 595
Office and postage	573	500
Promotion	7,202	13,262
Travel and meetings	1,680	3,064
Wages and benefits	<u>12,997</u>	<u>12,281</u>
	<u>\$ 22,452</u>	<u>\$ 29,702</u>
<b>Facilitation</b>		
Office and postage	\$ 764	\$ 691
Travel and meetings	2,440	4,067
Wages and benefits	<u>17,330</u>	<u>16,374</u>
	<u>\$ 20,534</u>	<u>\$ 21,132</u>
<b>Total expenses</b>	<u>\$ 262,620</u>	<u>\$ 290,052</u>

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**Chicken Farmers of Newfoundland and Labrador**  
**Schedule of Reconciliation of the Financial Plan to the Budget**  
**Year Ended December 31, 2013**

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	<u>Financial Plan</u>	<u>Adjustments</u>	<u>PSAB Budget</u>
<b>Revenue</b>			
Producer levies	277,500	-	277,500
Interest income	<u>120</u>	<u>-</u>	<u>120</u>
	277,620	-	277,620
Less:			
Costs for Grant funded projects	<u>(9,000)</u>	<u>-</u>	<u>(9,000)</u>
<b>Net revenue</b>	<u>\$ 268,620</u>	<u>\$ -</u>	<u>\$ 268,620</u>
<b>Operating expenses</b>			
Administration	\$ 101,076	\$ -	\$ 101,076
Regulation	118,087	-	118,087
Promotion	27,076	-	27,076
Facilitation	<u>22,235</u>	<u>950</u>	<u>23,185</u>
Total expenses	<u>\$ 268,474</u>	<u>\$ 950</u>	<u>\$ 269,424</u>
<b>Surplus (deficit)</b>	<u>\$ 146</u>	<u>\$ (950)</u>	<u>\$ (804)</u>

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