

Chicken Farmers of Newfoundland and Labrador

Annual Performance Report



Fiscal Year 2014



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Message from the Chair 2014

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, 2014. 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 2014 on the objectives identified by the Chicken Farmers of Newfoundland and Labrador in its 2014-16 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

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. Blaine Hussey
Director – Mr. Davis Noel
Director – Mr. Andy Lamer
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 utilizing the supply management system, sponsoring activities aimed at encouraging chicken consumption, collaborating with stakeholders of the chicken industry and direct support of the farming community. Annual promotion and marketing activities of the board may include participation in trade shows, lobby days, consumer education and advertising campaigns (e.g. brochures, agricultural campaigns and website development). The frequency of these activities is dependent upon the financial resources of the board.
4. **Facilitator Role** - The Chicken Farmers of Newfoundland and Labrador acts as a facilitator with regards to food safety and animal care and conducts food safety and animal care audits of each program to determine compliance. Research and development is also facilitated through participation in projects and research trials.

Mandate

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

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

Mission Statement

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

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

Measure: Supported enhancements

Indicators:

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

Activities

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

Issue One: Food Safety / Animal Care

The Newfoundland and Labrador chicken industry works closely with its partners to ensure that stringent regulations related to the care and handling of our chickens are met and followed. It is in the best interest of all industry members to see that all of the birds are raised the best way possible. In addition, farmers follow a national On-Farm Food Safety Assurance Program (OFFSAP) that emphasizes health, cleanliness and safety throughout each step of the production cycle, and follow strict biosecurity measures to protect animal health and prevent flock infections from outside sources. Having a credible and auditable Food Safety and Animal Care Program (ACP) is essential to meeting the needs of today's consumer. This work supports the Provincial Government's strategic direction of enhanced utilization, sustainability and public awareness of the agriculture and agrifoods sectors. In particular, CFNL's work in this issue area in 2014 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, 2014, 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 2014, 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 2014, four full audits and four partial audits were performed.

In 2014, CFNL was successful with auditing the ACP on 63% of farms and each farm audited was recertified. A certified commodity specific animal care auditor conducted the audits for the voluntary 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.

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

CFNL has established a practice of meeting with farmers annually to update them regarding the OFFSAP and the ACP. On November 26, 2014 CFNL met with the chicken farmers to discuss issues related to the industry. The meeting provided 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.

Chicken Farmers of Canada demonstrated a commitment to antibiotic reduction and responsible use, with an industry implemented policy in May 2014 to eliminate the preventive use of Category I antibiotics (Category I antibiotics are defined as those of critical importance to humans).

In May 2014, a revised flock information recording form; commonly referred to as the flock sheet, was released. The flock sheet has been in use since 2002 to meet the requirements of the Canadian Food Inspection Agency as stated in Chapter 19.3.4 of the Meat Hygiene Manual of Procedures. The new version of the flock sheet has been modified to address concerns around the ease of completing the form, to clarify the information that is required, and to add an information piece around the on-farm preventive use of Category I antibiotics. A question about the preventive use of Category I antibiotics has been added to ensure that there is accurate reporting of use throughout the chain of production. The new flock sheet uses a set of seven questions about antibiotic and vaccine use at the hatchery and at the farm. CFNL used the farmer meeting to clarify and demonstrate, to farmers, the role of the revised flock sheet in the production of chicken in Newfoundland and Labrador.

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

In 2014; with the introduction of the antibiotic reduction and responsible use initiative, CFNL reviewed the methods of documenting information related to preventative use of Category I antibiotics. CFNL discarded obsolete flock information recording forms and replaced them with the revised flock information recording form to ensure proper documentation and compliance with the OFFSAP. The revised forms were then distributed to farmers with an information component explaining the requirements of the revised form. The revised form complies with both the OFFSAP and ACP record keeping requirements and streamlines implementation at the farm level.

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

Objective 1: By December 31, 2015, Chicken Farmers of Newfoundland and Labrador will have advanced initiatives related to food safety and animal care in the provincial chicken industry.

Measure: Advanced Initiatives

Indicators (2015):

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

Issue 2: Industry Sustainability/Growth

The Chicken Farmers of Newfoundland and Labrador works closely with all of its partners to ensure sustainability and proper development of the chicken industry, provincially and nationally. A vibrant and healthy chicken industry that has the ability to sustain itself remains paramount. Building a chicken industry on a foundation that fosters collaboration, consultation and cooperation throughout the entire value chain promotes long term success among all partners within the chicken industry. Accepting new methods of production and technology provide the chicken industry with the ability to adapt better and faster to economic cycles and establishes long term sustainability for the chicken industry. This work supports the Provincial Government's strategic direction of enhanced utilization, sustainability and public awareness of the agriculture and agrifoods sectors. In particular, CFNL's work in this issue area in 2014 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, 2014, 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 2014, Chicken Farmers of Newfoundland and Labrador signed a new Memorandum of Understanding (MOU) for a long term chicken allocation agreement. This landmark agreement has been over six years in the making. Challenges, starts, stops and roadblocks were ever present but, at the end of the day, have been overcome through this new agreement. Allocation is the mechanism by which provinces allot chicken production to each region using factors such as; comparative advantage, to determine the volume of chicken to be produced. The agreement was the conclusion of several years of negotiations with each province.

CFNL was responsible for representing the interests of the Newfoundland and Labrador chicken industry during the negotiations, however, CFNL had to also consider the future of the chicken industry in Canada and the role Newfoundland and Labrador would play in it. The needs of the Newfoundland and Labrador chicken industry had to be balanced with the collective future of the chicken industry in Canada. The challenges over the years have been many, and have required the whole industry to pull together as a team to overcome differences, realize the important similarities and then to move forward to completing the agreement. Each province committed to improving the efficiency of the value chain, while maintaining chicken production in all provinces. The new agreement shares future growth of the industry using comparative advantage factors aimed at increasing the sustainability of chicken production in Canada. CFNL was proud to sign the MOU agreement which secured the future of chicken production in Newfoundland and Labrador.

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

In 2014, the chicken industry along with many other agricultural commodities experienced a decline in the availability of wood shavings; which is the bedding material for chickens, due to increased demand from other sectors for wood material and limited timber access. CFNL initiated a research project aimed at reducing the chicken industry's dependence on wood shavings, while utilizing a locally available product. Funding was secured from the Multi-Materials Stewardship Board (MMSB) under its Solid Waste Management Innovation Fund for CFNL to conduct a pilot project; utilizing paper and cardboard; as a possible bedding material. Additionally, the Forestry and Agrifoods Agency has provided staff to assist CFNL with the research. CFNL is responsible for coordination, administration and completion of the project. Paper and cardboard will be developed into appropriate forms that can be used in the chicken industry to determine its suitability as a bedding material. Assessment of the paper/cardboard pellets developed and bird behavior with respect to the bedding are some of the parameters being measured. A farm has been selected to conduct the alternative bedding research trials. Repurposing and reusing of an existing waste product to mitigate a diminishing supply of wood products is a synergy that can provide significant benefits not only for the chicken industry but can result in a significant reduction of paper and cardboard that needs to be recycled. Alternative bedding materials must be pursued as the traditional sources of bedding for the chicken industry have begun to diminish. The project will be completed in 2015.

Continued promotional efforts related to the consumption of provincial chicken:

In 2014, CFNL participated in the annual 'Farmers Field Day' held by Agriculture and Agri-Food Canada every August and donated Newfoundland and Labrador raised chicken products for the annual chicken barbeque held at the Agricultural Research Center in St. John's. In an effort to increase CFNL's presence in the community: for the first time ever, CFNL hosted the barbeque; CFNL managed and served the chicken dinner to the public. This event provided consumers with the opportunity to ask questions directly about chicken and to receive feedback. This event provided the public with an opportunity to learn more about agriculture, how food is produced and an opportunity to taste the products that are produced by the agricultural community. CFNL will continue its involvement with this community outreach activity and will endeavor to create an event that provides the public with learning opportunities while also providing a flavorful and nutritious meal for a nominal fee.

CFNL invested additional resources and purchased recipe booklets that increased consumers' nutritional and health information and their awareness of the chicken industry. The recipe and promotional items were distributed at the 'Farmers Field Day' and community organized events.

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

Objective 2: By December 31, 2015, Chicken Farmers of Newfoundland and Labrador will have supported initiatives for the continued viability of the provincial chicken industry.

Measure: Supported Initiatives

Indicators (2015):

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

Financials



Financial Statements

Chicken Farmers of Newfoundland and Labrador

December 31, 2014

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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.

Ruth Roseworthy Chair [Signature] 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, 2014 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, 2014, 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 13, 2015

Grant Thornton LLP

Chartered Accountants

Chicken Farmers of Newfoundland and Labrador Statement of Financial Position

December 31	2014	2013
Financial assets		
Cash and cash equivalents	\$ 97,532	\$ 95,657
Receivables (Note 5)	23,334	23,632
Investment	<u>28,658</u>	<u>15,651</u>
	\$ 149,524	\$ 134,940
Liabilities		
Payables and accruals	\$ 29,838	\$ 23,409
Accrued severance pay	<u>9,423</u>	<u>7,922</u>
	39,261	31,331
Net financial assets	\$ 110,263	\$ 103,609
Non-financial assets		
Prepays	\$ 2,240	\$ 3,110
Tangible capital assets (Note 6)	<u>13,882</u>	<u>5,371</u>
	16,122	8,481
Accumulated surplus	\$ 126,385	\$ 112,090

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 2014	Budget 2014	Actual 2013
Revenue			
Levies	\$ 300,871	\$ 277,500	\$ 284,205
Grant funded projects	10,287	-	4,448
CFC Summer meeting	-	-	49,622
Interest and miscellaneous	<u>110</u>	<u>100</u>	<u>1,771</u>
	311,268	277,600	340,046
Other costs			
Costs for Grant funded projects	8,499	10,000	12,588
Costs for CFC Summer meeting	<u>-</u>	<u>-</u>	<u>52,033</u>
	<u>302,769</u>	<u>267,600</u>	<u>275,425</u>
Expenses (Page 13)			
Administration	\$ 112,378	\$ 100,812	\$ 102,486
Regulatory	131,454	118,434	117,148
Promotion	23,647	25,834	22,452
Facilitation	<u>20,995</u>	<u>22,445</u>	<u>20,534</u>
	<u>288,474</u>	<u>267,525</u>	<u>262,620</u>
Annual surplus	<u>\$ 14,295</u>	<u>\$ 75</u>	<u>\$ 12,805</u>
Accumulated surplus, beginning of year	\$ 112,090	\$ 112,090	\$ 99,285
Annual surplus	<u>14,295</u>	<u>75</u>	<u>12,805</u>
Accumulated surplus, end of year	<u>\$ 126,385</u>	<u>\$ 112,165</u>	<u>\$ 112,090</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 2014	Budget 2014	Actual 2013
Annual surplus	\$ 14,295	\$ 75	\$ 12,805
Amortization of tangible capital assets	1,283	-	943
Purchase of tangible capital assets	(9,794)	-	(3,196)
Decrease (increase) in prepaids	870	-	(614)
Increase in net assets	6,654	75	9,938
Net financial assets, beginning of year	103,609	103,609	93,671
Net financial assets, end of year	\$ 110,263	\$ 103,684	\$ 103,609

See accompanying notes to the financial statements.

Chicken Farmers of Newfoundland and Labrador

Statement of Cash Flows

Year Ended December 31

2014

2013

Increase in cash and cash equivalents

Operating

Annual surplus	\$ 14,295	\$ 12,805
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Change in non-cash items

Accrued severance pay	1,501	1,321
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Depreciation	1,283	943
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Receivables	298	(851)
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Prepays	870	(614)
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Payables and accruals	6,429	(4,148)
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Cash provided by operating transactions	24,676	9,456
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Investing

Purchase of tangible capital assets	(9,794)	(3,196)
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Reclassification of cash to investments	(13,007)	-
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Cash used in investing transactions	(22,801)	(3,196)
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Increase in cash and cash equivalents	1,875	6,260
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Cash and cash equivalents, beginning of year	95,657	89,397
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Cash and cash equivalents, end of year	\$ 97,532	\$ 95,657
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See accompanying notes to the financial statements.

Chicken Farmers of Newfoundland and Labrador

Notes to the Financial Statements

December 31, 2014

1. Nature of operations

The Chicken Farmers of Newfoundland and Labrador was established in 1981 by the *Newfoundland and Labrador Chicken Marketing Scheme, 1980*, under the *Natural Products Marketing Act, 1973* (Act), to provide for the effective promotion, control and regulation of the production and marketing of chicken in Newfoundland and Labrador. The Board is responsible for administering the regulations as provided for in the Act under the laws of the Province of Newfoundland and Labrador.

2. Chicken Farmers of Canada

Pursuant to authority given to it under the Farm Products Marketing Act of Canada, the Chicken Farmers of Canada (CFC) collects levies from provincial commodity boards. The Chicken Farmers of Newfoundland and Labrador collects these levies directly from the processor and remits them to CFC. There were \$95,714 of levies collected in 2014 (2013 - \$83,367).

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, accrued 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.

Chicken Farmers of Newfoundland and Labrador
Notes to the Financial Statements
December 31, 2014

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

Grant revenue

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

Cash and cash equivalents

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

Investment

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

Non-financial assets

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

Tangible capital assets

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

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

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

Chicken Farmers of Newfoundland and Labrador

Notes to the Financial Statements

December 31, 2014

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

Accrued severance pay

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

Financial instruments

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

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

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

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

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

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

Financial assets measured at fair value include the investment.

Financial liabilities measured at cost include payables and accruals.

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

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

Chicken Farmers of Newfoundland and Labrador
Notes to the Financial Statements
December 31, 2014

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, 2014 was \$28,658 (2013 - \$28,658).

5. Receivables	2014	2013
Levies	\$ 17,390	\$ 21,217
Travel advances	<u>5,944</u>	<u>2,415</u>
	<u>\$ 23,334</u>	<u>\$ 23,632</u>

6. Tangible capital assets	2014		2013	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture and equipment	<u>\$ 47,177</u>	<u>\$ 33,295</u>	<u>\$ 13,882</u>	<u>\$ 5,369</u>

7. Commitments

The Board has a commitment under an operating lease for a photocopier. Payment for the next year is as follows:

2015 - \$1,859

Chicken Farmers of Newfoundland and Labrador

Notes to the Financial Statements

December 31, 2014

8. 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, 2014.

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 \$23,334 (2013 - \$23,632). 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.

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 \$29,838 (2013 - \$23,409). 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.

9. Line of credit

The organization has a line of credit with a limit of \$25,000, bearing an interest rate of prime plus 2%. As at December 31, 2014, the balance owing on the line of credit is nil (2013 - nil).

Chicken Farmers of Newfoundland and Labrador

Schedule of Expenses

December 31

2014

2013

	<u>Actual</u>	<u>Actual</u>
Administration		
Depreciation	\$ 1,283	\$ 943
Federation of Agriculture	12,000	12,200
Honorariums	12,000	12,000
Insurance	1,619	1,639
Interest and bank charges	998	1,451
Office and postage	6,142	3,922
Per diems	17,525	14,350
Professional fees	17,492	15,252
Rent	3,003	3,003
Telephone	5,375	4,846
Travel and meetings	6,179	5,018
Wages and benefits	<u>28,762</u>	<u>27,861</u>
	\$ 112,378	\$ 102,486
Regulation		
Levy - CFC	\$ 95,714	\$ 83,367
Office and postage	979	1,263
Travel and meetings	5,716	3,926
Wages and benefits	<u>29,045</u>	<u>28,592</u>
	\$ 131,454	\$ 117,148
Promotion		
Office and postage	\$ 445	\$ 573
Promotion	7,905	7,202
Travel and meetings	2,095	1,680
Wages and benefits	<u>13,202</u>	<u>12,997</u>
	\$ 23,647	\$ 22,452
Facilitation		
Office and postage	\$ 593	\$ 764
Travel and meetings	2,799	2,440
Wages and benefits	<u>17,603</u>	<u>17,330</u>
	\$ 20,995	\$ 20,534
Total expenses	\$ 288,474	\$ 262,620