

Chicken Farmers of Newfoundland and Labrador

Annual Performance Report 2020



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Message from the Chair

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 (CFNL) for the fiscal year ending December 31, 2020. The CFNL is a non-profit public body with a mandate to promote, regulate and control the production and marketing of chicken by producers and processors.

The revenues and expenditures of the Board are decreased this year due to decreased chicken production allocation and reduced operational costs. 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 2020 on the objective identified by the CFNL in its 2020-22 Activity Plan.

My signature below is indicative of the entire Board's accountability for the actual results reported in this document.

Yours Sincerely,

A handwritten signature in blue ink that reads "Paul Dunphy". The signature is written in a cursive style.

Paul Dunphy
Chairperson
CFNL

Overview

CFNL is a non-profit public body, 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.” Supply management is a uniquely Canadian approach to agricultural production that benefits the entire Canadian food chain, from farmers to processors to consumers. Farmers get a fair return for their products, processors get a reliable supply of raw ingredients, and Canadians get a consistent selection of high-quality products at reasonable prices. The **Scheme** directs the appointment of a three to five member Board to be appointed by the Minister of Fisheries, Forestry, and Agriculture (FFA). 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 \$0.0163 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 \$0.0057 cents/kilogram. This is a total of \$0.0163 cents/kilogram for every kilogram of live weight chicken processed.

	2020	2019
Revenues	\$ 349,299.00	\$ 363,708.00
Expenditures	\$ 302,976.00	\$ 322,289.00
Surplus	\$ 46,323.00	\$ 41,419.00

Board Members:

Position	Name	Community	Start Date	End Date
Chairperson	Paul Dunphy	Torbay	9/10/2018	9/10/2022
Vice-Chair	Carol Anne Walsh	Conception Bay South	9/10/2018	9/10/2022
Director	Davis Noel	Paradise	9/10/2018	9/10/2022
Director *	Ruth Noseworthy	Paradise	9/10/2018	9/10/2020
Director *	Alex Smallwood	Paradise	9/10/2018	9/10/2020
Executive Director	Ron Walsh	Conception Bay South	Full-Time	

* Expired September 10, 2020. Position is currently vacant, with the Public Service Commission actively recruiting.

Contact Information:

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

Physical location: 204 Brookfield Road, Agriculture Canada Building 6, St. John's.

This report is available in alternate formats. Please contact the above if an alternate format is 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 **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 FFA, 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 CFNL 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

In 2020, the COVID-19 pandemic emphasized the importance of local food production and food insecurity; in particular, how a pandemic affects living on an island. The poultry industry had to adjust operations, like all other businesses, to comply with public health guidelines.

CFNL donated \$5,000 to the Community Food Sharing Association of Newfoundland and Labrador to assist families in need. Farmers continued to produce chicken during the pandemic while complying with public health guidelines.

Mandate

CFNL operates under the authority of the Minister of FFA 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.

Report on Performance

Issue One: Best Management Practices Regarding Chicken Production

The Newfoundland and Labrador chicken industry provides a significant contribution to the Newfoundland and Labrador economy through the provision of food products and employment. Best management practices that enhance the operation of farms and ensure sustainability results in providing a strong stable industry with uninterrupted food production.

Objective 2020:

By December 31, 2020, Chicken Farmers of Newfoundland and Labrador will have advanced initiatives related to best management practices for poultry production of the provincial chicken industry.

Indicator 1: Coordinated education and training sessions from industry experts to farmers regarding best management practices for poultry production:

In 2020, CFNL successfully partnered with Country Ribbon Incorporated to deliver a webinar titled, “Managing Cold Weather Ventilation”. The webinar was held on December 16, 2020 and was instructed by two experts on ventilation with respect to poultry facilities. Seventeen people, consisting of farmers, a veterinarian and industry personnel, attended the webinar. Topics such as fans, maintenance of equipment, controls, static pressure, air leakage, indoor air quality, heat loss and fundamentals of ventilation were covered.

Each farmer had an opportunity to discuss particular issues they were interested in with the experts to determine solutions to areas of concern on their farm. The experts also made themselves available for follow-up discussions with the participants of the webinar. Opportunities for improvement and enhancement of ventilation systems were identified on the webinar and enhanced management techniques regarding ventilation were identified.

Indicator 2: Coordinated on-site farm visits from industry experts regarding best management practices for poultry production:

In 2020, CFNL was unsuccessful in achieving on-site farm visits from industry experts due to the enhanced biosecurity measures and public health guidelines regarding the COVID-19 pandemic. Out of an abundance of caution, CFNL and

farmers were reluctant to increase the risk of disease exposure that could result from unnecessary visits to the farm. Activities to have on-site farm visits occur will be attempted only when it is safe to do so.

Indicator 3: Participated in conferences/seminars regarding best management practices for poultry production:

In 2020, CFNL was unsuccessful in participating in conferences and seminars regarding best management practices for poultry as most conferences and seminars were cancelled due to the COVID-19 pandemic and public health guidelines. A transition to participating in online conferences and seminars may be explored, if in-person conferences and seminars remain unavailable.

Objective 2021:

The Board has determined that the objective and indicators provided for 2020 are also valid for 2021. As such, the objective and indicators for issue one for 2021 are as follows:

By December 31, 2021, Chicken Farmers of Newfoundland and Labrador will have advanced initiatives related to best management practices for poultry production of the provincial chicken industry.

Indicators:

- Coordinated education and training sessions from industry experts to farmers regarding best management practices for poultry production
- Coordinated on-site farm visits from industry experts regarding best management practices for poultry production
- Participated in conferences/seminars regarding best management practices for poultry production

Challenges and Opportunities

Challenges:

A goal of eliminating preventative use of Category III antimicrobials was planned for 2020; however, the timeline for implementation has been amended to permit appropriate discussions with stakeholders and proper preparations on farm to occur. A further evaluation of the impact of eliminating preventative use of Category III antimicrobials is necessary as the number of options for disease mitigation are diminished each time a category of antimicrobials is removed. Chickens have a sensitive immune system and react accordingly to various factors such as nutrition and management adjustments. Each

farm will have to re-evaluate production practices and determine what works best for their operation.

Farming operations during the COVID-19 pandemic have been adjusted to minimize the risk of disease transmission to employees and farmers. Outbreaks of COVID-19 result in disruption to the poultry industry; consumer purchasing patterns are modified and bulk purchases become more frequent. This type of consumer purchasing has a direct influence on chicken production requirements. CFNL decision making regarding chicken production levels will require flexibility to ensure stability of the market and continued monitoring of the economic fluctuations that result from provincial shutdowns due to COVID-19 resurgence.

Opportunities:

CFNL will endeavor to continue partnership with industry stakeholders to deliver common goals that benefit the poultry industry. Pooling resources and partnering with industry stakeholders will strengthen the poultry industry and assist the industry in achieving sustainable practices.

Challenges and opportunities are faced by all industries which drives them to develop solutions to overcome challenges that may exist. CFNL will continue to identify and overcome challenges facing the poultry industry. Additionally, CFNL will pursue opportunities that exist in the poultry industry that ensure sustainability and food security for Newfoundland and Labrador.

Appendix A: Audited Financial Statements



Financial Statements

Chicken Farmers of Newfoundland and Labrador

December 31, 2020

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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.

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Chair

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Director

Independent auditor's report

Grant Thornton LLP
Suite 300
15 International Place
St. John's, NL
A1A 0L4
T +1 709 778 8800
F +1 709 722 7892

To the Directors of Chicken Farmers of Newfoundland and Labrador

Opinion

We have audited the financial statements of Chicken Farmers of Newfoundland and Labrador ("the Entity"), which comprise the statement of financial position as at December 31, 2020, and the statements of operations and changes in accumulated surplus, changes in net financial assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Chicken Farmers of Newfoundland and Labrador as at December 31, 2020, and the results of its operations and changes in accumulated surplus, its changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



St. John's, Canada
February 17, 2021

Chartered Professional Accountants

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Chicken Farmers of Newfoundland and Labrador
Statement of Financial Position

December 31	2020	2019
Financial assets		
Cash and cash equivalents	\$ 300,384	\$ 245,240
Receivables (Note 5)	22,676	30,715
Investments	<u>44,865</u>	<u>43,863</u>
	<u>367,625</u>	<u>319,918</u>
Liabilities		
Payables and accruals	29,350	30,862
Accrued severance pay	<u>19,696</u>	<u>17,651</u>
	<u>49,046</u>	<u>48,313</u>
Net financial assets	<u>318,579</u>	<u>271,605</u>
Non-financial assets		
Prepaid expenses	2,894	2,224
Tangible capital assets (Note 6)	<u>1,314</u>	<u>2,635</u>
	<u>4,208</u>	<u>4,859</u>
Accumulated surplus (Note 9)	<u>\$ 322,787</u>	<u>\$ 276,464</u>

On behalf of the Board

Paul Murphy Chair Carol Anne Walsh 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 2020	Budget 2020	Actual 2019
Revenue			
Levies	\$ 348,697	\$ 338,100	\$ 363,028
Interest and miscellaneous	<u>602</u>	<u>548</u>	<u>680</u>
	<u>349,299</u>	<u>338,648</u>	<u>363,708</u>
Expenses (Page 13)			
Administration	93,054	111,605	98,310
Regulatory	161,697	165,155	170,678
Promotion	25,852	29,752	29,416
Facilitation	<u>22,373</u>	<u>24,336</u>	<u>23,885</u>
	<u>302,976</u>	<u>330,848</u>	<u>322,289</u>
Annual surplus	<u>\$ 46,323</u>	<u>\$ 7,800</u>	<u>\$ 41,419</u>
Accumulated surplus, beginning of year	\$ 276,464	\$ 276,464	\$ 235,045
Annual surplus	<u>46,323</u>	<u>7,800</u>	<u>41,419</u>
Accumulated surplus, end of year (Note 9)	<u>\$ 322,787</u>	<u>\$ 284,264</u>	<u>\$ 276,464</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 2020	Budget 2020	Actual 2019
Annual surplus	\$ 46,323	\$ 7,800	\$ 41,419
Amortization of tangible capital assets	1,321	1,600	1,591
(Increase) decrease in prepaid expenses	<u>(670)</u>	<u>-</u>	<u>770</u>
Increase in net assets	46,974	9,400	43,780
Net financial assets, beginning of year	<u>271,605</u>	<u>271,605</u>	<u>227,825</u>
Net financial assets, end of year	<u>\$ 318,579</u>	<u>\$ 281,005</u>	<u>\$ 271,605</u>

See accompanying notes to the financial statements.

Chicken Farmers of Newfoundland and Labrador
Statement of Cash Flows

Year Ended December 31	2020	2019
Increase in cash and cash equivalents		
Operating		
Annual surplus	\$ 46,323	\$ 41,419
Change in non-cash items		
Accrued severance pay	2,045	1,471
Amortization	1,321	1,591
Receivables	8,039	7,944
Prepaid expenses	(670)	770
Payables and accruals	(1,312)	6,931
Cash provided by operating transactions	<u>55,746</u>	<u>60,126</u>
Investing		
Increase in investments	<u>(602)</u>	<u>(680)</u>
Increase in cash and cash equivalents	55,144	59,446
Cash and cash equivalents, beginning of year	<u>245,240</u>	<u>185,794</u>
Cash and cash equivalents, end of year	<u>\$ 300,384</u>	<u>\$ 245,240</u>

See accompanying notes to the financial statements.

Chicken Farmers of Newfoundland and Labrador Notes to the Financial Statements

December 31, 2020

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 \$120,842 of levies collected in 2020 (2019 - \$122,708).

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, 2020

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

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.

Investments

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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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
- accounts payable

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

Chicken Farmers of Newfoundland and Labrador
Notes to the Financial Statements
December 31, 2020

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

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 accounts payable.

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.

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, 2020 was \$28,658 (2019 - \$28,658).

5. Receivables	<u>2020</u>	<u>2019</u>
Levies	\$ 21,479	\$ 28,704
Travel advances	<u>1,197</u>	<u>2,011</u>
	<u>\$ 22,676</u>	<u>\$ 30,715</u>

Chicken Farmers of Newfoundland and Labrador
Notes to the Financial Statements
 December 31, 2020

	6. Tangible capital assets		<u>2020</u>	<u>2019</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Furniture and equipment	\$ 41,954	\$ 40,640	\$ 1,314	\$ 2,635

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, 2020.

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 \$22,676 (2019 - \$30,715). 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 \$20,363 (2019 - \$21,842). 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.

8. Economic dependence

Approximately 99% (2019 – 99%) of revenue relates to producer levies collected from Country Ribbon Inc. The loss of this revenue could have a material adverse impact on the Board's operating results and financial position.

Chicken Farmers of Newfoundland and Labrador
Notes to the Financial Statements
December 31, 2020

9. Accumulated Surplus

The Board segregates its accumulated surplus in the following categories:

	<u>2020</u>	<u>2019</u>
Unrestricted	\$ 148,331	\$ 276,464
Contingency fund	<u>174,456</u>	<u>-</u>
	<u>\$ 322,787</u>	<u>\$ 276,464</u>

The following provides a description of the Board's funds:

Unrestricted

This fund is set aside for the regular program delivery and administrative activities of the Board.

Contingency fund

The purpose of this fund is to establish contingency funding to mitigate the effects of revenue shortfalls and emergencies on the general operations of the Chicken Farmers of Newfoundland and Labrador.

During the year the Board approved a motion to set up a contingency fund equal to approximately one year of expenses.

10. Impacts of COVID-19

Since December 31, 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

During the year, due to measures in place to contain the spread of the virus, production of chicken in Newfoundland and Labrador was lower than in previous years. This has resulted in lower levies revenue for the December 31, 2020 year end. During the year, the Board was also able to reduce its travel and meetings expense considerably, as a result of measures in place to contain the spread of the virus.

As the duration and impact of the COVID-19 pandemic remains unclear, it is not possible to reliably estimate any impact on the financial position and results of the Board for future periods.

Chicken Farmers of Newfoundland and Labrador Schedule of Expenses

December 31	2020	2019
Administration		
Amortization	\$ 1,321	\$ 1,591
Federation of Agriculture	8,000	12,000
Honorariums	12,000	#N/A
Insurance	1,535	1,654
Interest and bank charges	829	738
Office and postage	3,657	3,716
Per diems	6,925	6,650
Professional fees	17,419	17,545
Promotion	1,937	-
Rent	3,110	3,167
Telephone	2,460	1,661
Travel and meetings	2,078	6,845
Wages and benefits	31,783	30,743
	\$ 93,054	\$ 98,310
Regulation		
Levy – CFC	\$ 120,842	\$ 122,708
Office and postage	-	308
Professional fees	3,938	8,500
Promotion	1,998	-
Travel and meetings	2,143	7,459
Wages and benefits	32,776	31,703
	\$ 161,697	\$ 170,678
Promotion		
Donations	\$ 1,500	\$ 5,704
Office and postage	-	140
Professional fees	-	215
Promotion	8,480	5,796
Travel and meetings	974	3,151
Wages and benefits	14,898	14,410
	\$ 25,852	\$ 29,416
Facilitation		
Office and postage	\$ -	\$ 187
Professional fees	-	286
Promotion	1,210	-
Travel and meetings	1,299	4,198
Wages and benefits	19,864	19,214
	\$ 22,373	\$ 23,885
Total expenses	\$ 302,976	\$ 322,289