

# Chicken Farmers of Newfoundland and Labrador

Annual Performance Report 2021



## Table of Contents

---

Message from the Chair .....	3
Overview .....	4
Mandate.....	5
Board Members .....	5
Contact Information .....	5
Vision.....	6
Lines of Business .....	6
Highlights and Partnerships .....	6
Report on Performance .....	7
Issue One: Best Management Practices Regarding Chicken Production .....	7
Opportunities and Challenges .....	8
Appendix A: Audited Financial Statements .....	10

## 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, 2021. 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.

During fiscal 2021, revenues increased due to an increase in chicken production and expenditures of the Board increased due to higher operational costs. For further details, please refer to the audited financial statements, which are attached as Appendix A.

This Annual Performance Report was prepared in accordance with the requirements for a category three entity under the **Transparency and Accountability Act**. This report reflects the progress that has been made in 2021 on the objective identified by the CFNL in its 2020-2022 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, flowing style.

Paul Dunphy  
Chairperson  
CFNL

## Overview

---

The CFNL is a non-profit public body, which was established in 1980 under the authority of the **Newfoundland and Labrador Chicken Marketing Scheme** (the Scheme) under the **Natural Products Marketing Act** (the Act). The purpose and intent of the CFNL is to promote, regulate and control the production and marketing of chicken by producers and processors within the province, including the prohibition of production or marketing of chicken. As such, the CFNL controls and regulates the quota for chicken in Newfoundland and Labrador. The CFNL typically convenes six to seven times a year to review chicken allocation, legislation, policies and market conditions. Additionally, the CFNL participates in national allocation meetings with the Chicken Farmers of Canada to achieve its mandate.

The CFNL administers the regulation and marketing of chicken as provided for in the Act and the Scheme under the laws 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 requires a three-to-five-member Board be appointed by the Minister of Fisheries, Forestry, and Agriculture (FFA). The CFNL is supported by one permanent employee and the office is located in St. John’s. The CFNL reports to the Farm Industry Review Board (FIRB), 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 CFNL. Subsequently, the CFNL expenditures are paid using this service charge. Further information on revenues can be found in Appendix A under the revenue section of the audited financial statements.

The levy price per kilogram (live weight) paid to the CFNL from the producer is set by the CFNL. The levy is comprised of a Provincial levy of \$0.0106 cents per kilogram and a Chicken Farmers of Canada levy of \$0.0057 cents per kilogram. This is a total of \$0.0163 cents per kilogram for every kilogram of live weight chicken processed.

	<b>2021</b>	<b>2020</b>
<b>Revenues</b>	\$ 367,767	\$ 349,299
<b>Expenditures</b>	\$ 306,750	\$ 302,976
<b>Surplus</b>	\$ 61,017	\$ 46,323

**Mandate:**

The CFNL operates under the authority of the Minister of FFA in accordance with the Scheme under the Act. The commodity board promotes, regulates and controls 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.

**Board Members:**

As of December 31, 2021, the members of the CFNL included the following:

Position	Name	Community	Start Date	End Date
Chairperson *	Paul Dunphy	Torbay	9/10/2018	9/10/2022
Vice-Chairperson *	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	6/8/2021	6/8/2024
Director	Darryl Legge	Holyrood	6/8/2021	6/8/2024

\* Term expiring September 10, 2022. Positions are currently advertised, with the Public Service Commission actively recruiting.

**Contact Information:**

For more information about the CFNL, please contact us at:

Ron Walsh, Executive Director  
Chicken Farmers of Newfoundland and Labrador  
P.O. Box 8098  
St. John's, NL A1B 3M9  
Phone: 709-747-1493  
Fax: 709-747-0544  
Email: [rwalsh@nlchicken.com](mailto:rwalsh@nlchicken.com)

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

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

## **Vision:**

The vision of the 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** – The 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 of FFA or the CFNL and the terms and conditions of a production licence imposed by the CFNL upon a producer.
2. **Signatory Role** - The Minister of FFA, FIRB and the 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 across Canada.
3. **Promotion Role** - The CFNL promotes the sustainability of the industry through 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. 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 2021, the COVID-19 pandemic continued to emphasize the importance of local food production and the issue of food insecurity; in particular, how a pandemic affects food security on an island. The poultry industry continued to adjust operations, like all other businesses, to comply with public health guidelines.

The CFNL supported the Community Food Sharing Association of Newfoundland and Labrador with a donation of \$5,000 to assist families in need.

# Report on Performance

---

## Issue One: Best Management Practices Regarding Chicken Production

The chicken industry provides a significant contribution to the Newfoundland and Labrador economy through the provision of food products and employment. Best management practices enhance the operation of farms and ensures sustainability of the chicken industry with uninterrupted food production.

### Objective 2021:

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.

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

In 2021, the CFNL successfully held an On-Farm Food Safety training session for farmers, their employees and Board members. On December 15, 2021, an in-person session was held to provide training regarding recent amendments made to the On-Farm Food Safety program and it was delivered by the poultry specialist for Newfoundland and Labrador. Nine people, consisting of farmers, employees and Board members attended the training session. Harmonization with current regulations, washing and disinfection options, clarification of existing requirements and reduced duplication were areas covered by the training.

Each person had an opportunity to discuss the amendments made to the program with the poultry specialist and the implementation of the amendments on farms. The poultry specialist was also available for follow-up discussions with the training participants.

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

In 2021, the 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, the CFNL and farmers decided not to increase the risk of exposure to the virus resulting from unnecessary visits to farms. Activities to have on-site farm visits occur will be attempted when it is safe to do so. The detection of Avian Influenza in late December 2021 also contributed to restriction of on-site farm visits.

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

In 2021, the CFNL transitioned to an online format for conferences and seminars. A seminar regarding water quality was held on February 24, 2021, for producers to receive instruction regarding best management practices for beginning a water quality program. A water quality expert provided farmers with the foundation for initiating and maintaining a water quality program. Components of a water quality program, common hazards related to water, proper cleaning and disinfection of water delivery systems, understanding water analysis and the impacts on chicken health were some of the topics covered. Farmers also had the opportunity to seek advice and recommendations from the expert regarding specific circumstances that exist on their farm regarding water quality. Solutions to improve water quality and water delivery systems were provided to farmers.

In December 2021, virtual sessions were organized with all farmers to provide advice and recommendations regarding water quality and equipment use. All six commercial chicken farms in the province participated in one-on-one sessions with a water quality expert and an equipment provider. Interpretation of water analysis, recommendations for improving water quality and the appropriate system for delivering water to the chickens were provided. Farmers received detailed analysis of the water components on their farm and methods to avoid water quality issues as they move forward with a water quality program.

### **Objective 2022:**

The CFNL has determined that the objective and indicators provided for 2021 are also valid for 2022. As such, the objective and indicators for issue one for 2022 are as follows:

By December 31, 2022, 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.

## **Opportunities and Challenges**

---

Challenges and opportunities present situations that encourage an industry to find innovative solutions, modify operations, adapt and evolve. The CFNL will remain open



to pursuing actions that ensure the sustainability of the chicken industry while recognizing change has implications for all stakeholders in the industry.

### **Opportunities:**

Sustainably growing consumer demand for Canadian chicken by better understanding consumers, consumer values and shifting trends represents an opportunity for the CFNL. A “Raised by a Canadian Farmer” brand has been established by Chicken Farmers of Canada and opportunities for the CFNL to promote the brand will be explored.

### **Challenges:**

In late December 2021, Highly Pathogenic Avian Influenza (HPAI) was detected in an exhibition flock on the Avalon Peninsula of Newfoundland and Labrador. This is the same H5N1 strain that has been circulating in Europe. Biosecurity measures on poultry farms have been enhanced and efforts to avoid disease transmission of HPAI to the commercial poultry flock will continue to be encouraged and promoted. Each farm will have to remain vigilant regarding biosecurity practices and strictly control access to the farm.

Eliminating preventative use of Category III antimicrobials remains a priority; however, the timeline for implementation has been amended to permit appropriate discussions with stakeholders and proper preparations on farms 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 reevaluate production practices and determine what works best for their operation.

# Appendix A: Audited Financial Statements

---



Financial Statements

Chicken Farmers of Newfoundland and Labrador

December 31, 2021

## Contents

	<b>Page</b>
Statement of Responsibility	1
Independent Auditor's Report	2-3
Statement of Financial Position	4
Statements of Operations and Changes in Accumulated Surplus	5
Statement of Changes in Net Financial Assets	6
Statement of Cash Flows	7
Notes to the Financial Statements	8-12
Schedule of Expenses	13

## 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.

  
\_\_\_\_\_  
Chair

  
\_\_\_\_\_  
Director

## Independent auditor's report

---

Grant Thornton LLP  
Suite 300  
15 International Place  
St. John's, NL  
A1A 0L4  
T +1 709 776 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, 2021, 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, 2021, 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 16, 2022

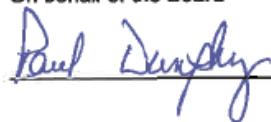


Chartered Professional Accountants

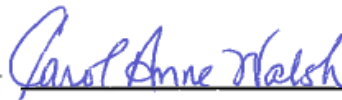
Chicken Farmers of Newfoundland and Labrador  
Statement of Financial Position

December 31	2021	2020
<b>Financial assets</b>		
Cash and cash equivalents	\$ 362,675	\$ 300,384
Receivables (Note 5)	11,301	22,676
Investments	<u>44,810</u>	<u>44,565</u>
	<u>418,586</u>	<u>367,625</u>
<b>Liabilities</b>		
Payables and accruals	21,488	29,350
Accrued severance pay	<u>21,211</u>	<u>19,696</u>
	<u>42,699</u>	<u>49,046</u>
<b>Net financial assets</b>	<u>375,887</u>	<u>318,579</u>
<b>Non-financial assets</b>		
Prepaid expenses	2,885	2,894
Tangible capital assets (Note 6)	<u>5,032</u>	<u>1,314</u>
	<u>7,917</u>	<u>4,208</u>
<b>Accumulated surplus (Note 9)</b>	<u>\$ 383,804</u>	<u>\$ 322,787</u>

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 2021	Budget 2021	Actual 2020
<b>Revenue</b>			
Levies	\$ 367,021	\$ 340,100	\$ 348,697
Interest and miscellaneous	<u>746</u>	<u>548</u>	<u>602</u>
	<u>367,767</u>	<u>340,648</u>	<u>349,299</u>
<b>Expenses (Page 13)</b>			
Administration	91,045	111,333	93,054
Regulatory	169,483	166,311	161,697
Promotion	23,650	30,268	25,852
Facilitation	<u>22,572</u>	<u>25,025</u>	<u>22,373</u>
	<u>306,750</u>	<u>332,937</u>	<u>302,976</u>
Annual surplus	<u>\$ 61,017</u>	<u>\$ 7,711</u>	<u>\$ 46,323</u>
Accumulated surplus, beginning of year	\$ 322,787	\$ 322,787	\$ 276,464
Annual surplus	<u>61,017</u>	<u>7,711</u>	<u>46,323</u>
Accumulated surplus, end of year (Note 9)	<u>\$ 383,804</u>	<u>\$ 330,498</u>	<u>\$ 322,787</u>

See accompanying notes to the financial statements.



**Chicken Farmers of Newfoundland and Labrador  
Statement of Changes in Net Financial Assets**

<b>Year Ended December 31</b>	<b>Actual 2021</b>	<b>Budget 2021</b>	<b>Actual 2020</b>
Annual surplus	\$ 61,017	\$ 7,711	\$ 46,323
Amortization of tangible capital assets	854	194	1,321
Increase in tangible capital assets	(4,572)	-	-
Decrease (increase) in prepaid expenses	<u>9</u>	<u>-</u>	<u>(670)</u>
<b>Increase in net assets</b>	<b>57,308</b>	<b>7,905</b>	<b>46,974</b>
Net financial assets, beginning of year	<u>318,579</u>	<u>318,579</u>	<u>271,605</u>
<b>Net financial assets, end of year</b>	<b>\$ 375,887</b>	<b>\$ 326,484</b>	<b>\$ 318,579</b>

See accompanying notes to the financial statements.

**Chicken Farmers of Newfoundland and Labrador  
Statement of Cash Flows**

Year Ended December 31	2021	2020
Increase in cash and cash equivalents		
<b>Operating</b>		
Annual surplus	\$ 61,017	\$ 46,323
Change in non-cash items		
Accrued severance pay	1,515	2,045
Amortization	854	1,321
Receivables	11,375	8,039
Prepaid expenses	9	(670)
Payables and accruals	<u>(7,862)</u>	<u>(1,312)</u>
Cash provided by operating transactions	<u>66,908</u>	<u>55,746</u>
<b>Investing</b>		
Increase in investments	(45)	(602)
Purchase of tangible capital assets	<u>(4,572)</u>	<u>-</u>
	<u>(4,617)</u>	<u>(602)</u>
Increase in cash and cash equivalents	62,291	55,144
Cash and cash equivalents, beginning of year	<u>300,384</u>	<u>245,240</u>
Cash and cash equivalents, end of year	<u>\$ 362,675</u>	<u>\$ 300,384</u>

See accompanying notes to the financial statements.

---

## Chicken Farmers of Newfoundland and Labrador Notes to the Financial Statements

December 31, 2021

---

### 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 \$128,345 of levies collected in 2021 (2020 - \$120,842).

---

### 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, 2021

---

**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
-------------------------	------------------------

**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, 2021

### 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, 2021 was \$28,658 (2020 - \$28,658).

5. Receivables	<u>2021</u>	<u>2020</u>
Levies	\$ 11,301	\$ 21,479
Travel advances	<u>-</u>	<u>1,197</u>
	<u>\$ 11,301</u>	<u>\$ 22,676</u>

## Chicken Farmers of Newfoundland and Labrador Notes to the Financial Statements

December 31, 2021

6. Tangible capital assets			<u>2021</u>	<u>2020</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Furniture and equipment	\$ 46,526	\$ 41,494	\$ 5,032	\$ 1,314

### 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, 2021.

#### 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 \$11,301 (2020 - \$22,676). The Board only receives levies, which are legislated by the Province, from one producer and in the opinion of management the credit risk exposure to the Board is low. There has been no significant change in credit risk exposure from the prior year.

#### Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Board is exposed to this risk mainly in respect of its payables and accruals in the amount of \$21,488 (2020 - \$20,363). 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% (2020 - 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, 2021

---

### 9. Accumulated Surplus

The Board segregates its accumulated surplus in the following categories:

	<u>2021</u>	<u>2020</u>
Unrestricted	\$ 205,604	\$ 148,331
Contingency fund	<u>178,200</u>	<u>174,456</u>
	<u>\$ 383,804</u>	<u>\$ 322,787</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.

---

## Chicken Farmers of Newfoundland and Labrador Schedule of Expenses

December 31	2021	2020
<b>Administration</b>		
Amortization	\$ 854	\$ 1,321
Federation of Agriculture	-	8,000
H2O project	3,613	-
Honorariums	-	#N/A
Insurance	1,024	1,535
Interest and bank charges	738	829
Miscellaneous	87	-
Office and postage	3,336	3,657
Per diems	17,550	6,925
Professional fees	19,417	17,419
Promotion	5,000	1,937
Rent	3,582	3,110
Telephone	2,957	2,460
Travel and meetings	1,137	2,078
Wages and benefits	<u>31,750</u>	<u>31,783</u>
	<b>\$ 91,045</b>	<b>\$ 93,054</b>
<b>Regulation</b>		
H2O project	\$ 3,725	\$ -
Levy – CFC	128,345	120,842
Office and postage	76	-
Professional fees	4,060	3,938
Promotion	-	1,998
Travel and meetings	534	2,143
Wages and benefits	<u>32,743</u>	<u>32,776</u>
	<b>\$ 169,483</b>	<b>\$ 181,697</b>
<b>Promotion</b>		
Donations	\$ -	\$ 1,500
H2O project	1,693	-
Office and postage	35	-
Professional fees	75	-
Promotion	6,722	8,480
Travel and meetings	243	974
Wages and benefits	<u>14,882</u>	<u>14,898</u>
	<b>\$ 23,650</b>	<b>\$ 25,852</b>
<b>Facilitation</b>		
H2O project	\$ 2,258	\$ -
Office and postage	46	-
Professional fees	100	-
Promotion	-	1,210
Travel and meetings	324	1,299
Wages and benefits	<u>19,844</u>	<u>19,864</u>
	<b>\$ 22,572</b>	<b>\$ 22,373</b>
<b>Total expenses</b>	<b>\$ 306,750</b>	<b>\$ 302,976</b>