

Chicken Farmers of Newfoundland and Labrador

Annual Performance Report



Fiscal Year 2012



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Message from the Chair 2012

On behalf of the Board of Directors I am pleased to present the Annual Performance Report of the Chicken Farmers of Newfoundland and Labrador for the fiscal year ended December 31, 2012. 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 2012 on the objectives identified by the Chicken Farmers of Newfoundland and Labrador in its 2011-13 Activity Plan.

As the challenges and opportunities develop in the chicken industry, the board will work to ensure the sustainability and prosperity of our industry. My signature below is indicative of the entire board's accountability for the actual results reported in this document.

Yours Sincerely,



Ruth Noseworthy
Chair
CFNL

Overview

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 or production or marketing of chicken.

The board administers the regulation and marketing of chicken as provided for in the *Act* and the *Scheme* under the laws of the Province of Newfoundland and Labrador. The board operates under a risk management system commonly known as “supply management.” The board is comprised of four directors appointed by the Minister Responsible for the Forestry and Agrifoods Agency as per regulations. CFNL is supported by one permanent employee and the office is located in the Avalon region. CFNL reports to the Farm Industry Review Board; which is the supervisory board.

Chairperson – Mrs. Ruth Noseworthy
Vice-Chairperson – Mr. Ed O’Reilly
Director – Mr. Davis Noel
Director – Mr. Andy Larner
Executive Director – Mr. Ron Walsh

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

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Email: rwalsh@nlchicken.com

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

Vision: The vision of CFNL is of a chicken industry which is stable, prosperous and robust and provides a safe, secure supply of chicken to the people of Newfoundland and Labrador for the long term.

Lines of Business:

The CFNL provides the following lines of business:

1. Regulatory Role - CFNL regulates the production of chicken through a production licence. This licence permits the holder to produce, or to have produced by a contract grower, chicken to the extent of the production quota shown on that licence in accordance with the *Newfoundland and Labrador Chicken Marketing Scheme* and any orders or regulations made with respect to the production and marketing of chicken by the Minister or the commodity board and the terms and conditions of a production licence imposed by a commodity board upon a producer.
2. Signatory Role - The Minister responsible for the Forestry and Agrifoods Agency, Farm Industry Review Board and CFNL are the Newfoundland and Labrador signatories to the Federal-Provincial Agreement for Chicken with the Federal Minister, other provincial and territorial ministers and supervisory and chicken supply managed boards in Canada.
3. Promotion Role - CFNL promotes the sustainability of the industry through the supply management system, chicken consumption, chicken industry and the farming community. Annual promotion and marketing activities of the board may include participation in trade shows, lobby days, consumer education and advertising campaigns (e.g. brochures, agricultural campaigns and website development). The frequency of these activities is dependent upon the financial resources of the board.
4. Facilitator Role - 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.

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. The objectives, measures and indicators below apply to each year covered by the corresponding three-year activity plan and will be reported on in relevant annual reports.

Animal Care / Food Safety

The Newfoundland and Labrador chicken industry works closely with its partners to ensure that stringent regulations related to the care and handling of our chickens are met and followed. It is in the best interest of all industry members to see that all of the birds are raised the best way possible. In addition, farmers follow a national On-Farm Food Safety Assurance Program 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 credible and auditable Food Safety and Animal Care Programs is essential to meeting the needs of today's consumer. Work in this area supports government's strategic direction of Enhanced Resource Management to ensure future Agriculture and Agrifoods Production, with specific impact on the focus area of Resource/Product Safety. This work also supports the government's strategic direction of Enhanced Agriculture and Agrifoods Sectors Innovation, Promotion and Development, with primary impact on the focus area of Agriculture Primary Production.

Objective 1:

By December 31, 2012, CFNL will have implemented initiatives to support animal care and food safety within the provincial chicken industry.

Measure: Implemented initiatives

Indicators:

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

Developed procedures to encourage compliance with the programs:

CFNL is proud to announce that a regulation titled, "*On-Farm Food Safety Assurance Program*" Order was passed on September 7, 2012 which has facilitated the shift from a voluntary program to a mandatory program. With the enactment of this regulation measures are in place to ensure compliance with the program and top-notch food safety procedures and standardized food safety systems will be found on each chicken farm. CFNL met with the Farm Industry Review Board (FIRB) and the Office of Legislative Counsel to collaborate on formulation of the regulation and provided clarity to Legislative Counsel regarding the need and intent of the regulation. Producers were aware of CFNL's involvement in the development of the new regulation and were provided information about the regulation, once finalized, by members of the CFNL board of directors.

The On-Farm Food Safety Assurance Program has a requirement to document the use of antimicrobials and in an effort to increase the awareness and knowledge of producers with regard to documenting antimicrobial use CFNL had an expert speak on the matter. An information session was held with chicken farmers and stakeholders to provide background information on antimicrobial use and resistance, what it is and why it is important for chicken farmers. The session offered a perspective on how chicken farmers can become more involved in documenting and reducing the use of antimicrobials within the industry.

With respect to the Animal Care Program each producer not participating in the program was contacted by the executive director of CFNL and encouraged to participate in the voluntary program. Clarification of the program and an offer of assistance from CFNL to implement the Animal Care Program on their farm were provided.

Continued food safety and animal care auditing of farms:

In 2012, CFNL was successful with auditing the On-Farm Food Safety Assurance Program on all eight farms. 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 2012, four full audits and four partial audits were performed.

In 2012, an additional farm was audited by a certified commodity specific animal care auditor for the voluntary Animal Care program increasing the total number of farms certified on the Animal Care program to four. The Animal Care Program is designed to demonstrate the level of care given to Canadian chickens and to complement the On-Farm Food Safety Assurance Program. The Animal Care Program provides assurance through documentation that farmers are meeting appropriate animal care standards.

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

In 2012, a review of the management manual of the On-Farm Food Safety Assurance and Animal Care Programs was undertaken by the Chicken Farmers of Canada and provincial chicken boards. The review was conducted to implement suggested improvements made from a third party audit of CFC's food safety program. The management manual is the program guide for administrators of the program and outlines the various procedures for producers to comply with the programs. CFNL participated in this review and provided input regarding modifications to the programs. A revised On-Farm Food Safety Assurance and Animal Care management manual is being developed and will be implemented in 2013.

Increased Promotion and Education

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

Objective 2:

By December 31, 2012, CFNL will have increased promotion and educational activities.

Measure: Increased activities

Indicators:

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

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

In 2012, the CFNL website was updated with the addition of the 2011 Annual Performance Report which provided information on CFNL's 2011 activities. During the year, however, a significant amount of time was diverted from the website enhancement/update activities to industry meetings and CFNL operations. Provincial and National meetings crucial to the ongoing development and enhancement of the

chicken industry required CFNL's attention. As a result, CFNL was unable to provide further updates to the promotion/education information on the site for 2012.

Increased representation at trade shows:

In 2012, CFNL attended three agricultural trade shows; one more than the previous year, two on the east coast and one on the west coast. These shows provide CFNL with an opportunity to showcase Newfoundland and Labrador Chicken farmers and educate the public about rural life and chicken production in Newfoundland and Labrador. CFNL invested additional resources to secure materials that increased consumers' awareness of the chicken industry in Newfoundland and Labrador. The public were provided with resource materials detailing nutritional and health benefits of chicken, pencils, pens and markers with the CFNL website attached, tattoos and food safety information.

Supported initiatives designed to increase provincial consumption:

CFNL supported an initiative to increase provincial consumption by donating locally produced chicken for new recipe creation and distribution at a trade show. In collaboration with the Forestry and Agrifoods Agency a new recipe was created by an experienced chef and distributed to the patrons of the trade show. Additionally, a taste sampling of the new chicken recipe was offered to the general public.

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

Governance Structure

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

Objective 3:

By December 31, 2012, CFNL will have further implemented processes to enhance the governance structure for the organization.

Measure: Further implemented processes

Indicators:

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

Measured compliance against financial management procedures:

Under the *Natural Products Marketing Act* and *Newfoundland and Labrador Chicken Marketing Scheme*, CFNL must follow a number of financial management procedures including: the appointment of a certified accountant to audit its accounts annually, the establishment and fixing of the wages, salaries and remuneration of the chairperson, members, secretary-manager and other officers and employees, and the appointment and prescribing of the terms and conditions of employment of a secretary-manager and other officers and employees that are considered necessary.

CFNL has a third party audit of its financial statements annually as part of its compliance with legislated financial management procedures and submits the audit results to the Department of Finance so that the results can be included in the Consolidated Revenue Fund statement of the Government of Newfoundland and Labrador. CFNL selects an auditing firm with clearly defined auditing plans. In accordance with a recommendation from the auditing firm; the board grouped its expenses into the various functions of CFNL as per Public Sector Accounting Board Standards. CFNL implemented this recommendation and categorized the expenses of CFNL into four categories: regulation, administrative, facilitation and promotion. Additionally, the Farm Industry Review Board, the supervisory board; receives a copy of the financial statements of CFNL for their review.

CFNL assessed its compliance with the existing guidelines outlined in the Act and Scheme. While CFNL was compliant with the requirements set out in the Act and Scheme, a new expense policy was developed to provide more clarity. CFNL fiscal procedures for travel and expenses are outlined in the CFNL expense policy, which was forwarded to the Farm Industry Review Board as per regulations, for its approval.

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

CFNL has progressed on its initiative to collect relevant data to support better decision making and service delivery. Increased data collection of relevant data pertaining to quota utilization was captured. Quota utilization is a report that is produced by Chicken Farmers of Canada and outlines the actual amount of chicken production versus the amount of chicken allocated for a specific period. The aim of chicken production is to

consistently produce 100 percent of the allocated chicken in any given period. A practice of collecting written rationales from the producer for variances regarding chicken production was implemented. The data collected provided details regarding variances in quota utilization that had occurred. These rationales provide the board with clarity regarding any under/over production that may have occurred. Understanding and documenting these variances in production has assisted the chicken industry in its efforts to avoid over and under production. The data collected is used to explain variances to the Chicken Farmers of Canada regarding chicken production in Newfoundland and Labrador.

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

CFNL is committed to continuous improvement regarding the operations of the board and endeavors to make improvements at every opportunity. An enhanced expense policy has been developed to reflect increased transparency and accountability at CFNL. The enhanced expense policy demonstrates CFNL's commitment to the development of policies and procedures that provide material improvements to the operations of the board. As well, several other policies and procedures; such as a conflict of interest policy and a code of ethics policy, have been reviewed and areas for improvement have been identified. It is intended that CFNL will enhance all policies as required at the board office.

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Financials



Financial Statements

Chicken Farmers of Newfoundland and Labrador

December 31, 2012

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Statement of responsibility

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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 D Noel Director

Independent Auditors' Report

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To the Directors of

Chicken Farmers of Newfoundland and Labrador

We have audited the accompanying financial statements of Chicken Farmers of Newfoundland and Labrador, which comprise the statement of financial position as at December 31, 2012 and the statement of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian public sector accounting standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Board's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Chicken Farmers of Newfoundland and Labrador as at December 31, 2012, and its financial performance and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Grant Thornton LLP

St. John's, Newfoundland and Labrador

March 15, 2013

Chartered Accountants

Chicken Farmers of Newfoundland and Labrador

Statement of Financial Position

December 31	2012	2011
Financial assets		
Cash and cash equivalents	\$ 89,397	\$ 91,539
Receivables (Note 5)	22,781	21,105
Current portion of long term receivable (Note 6)	-	16,940
Investment	<u>15,651</u>	<u>15,651</u>
	<u>\$ 127,829</u>	<u>\$ 145,235</u>
Liabilities		
Payables and accruals	\$ 27,557	\$ 30,038
Accrued severance pay	<u>6,601</u>	<u>4,896</u>
	<u>34,158</u>	<u>34,934</u>
Net financial assets	<u>\$ 93,671</u>	<u>\$ 110,301</u>
Non-financial assets		
Prepays	\$ 2,496	\$ 2,850
Tangible capital assets (Note 7)	<u>3,118</u>	<u>3,945</u>
	<u>5,614</u>	<u>6,795</u>
Accumulated surplus	<u>\$ 99,285</u>	<u>\$ 117,096</u>

Commitments (Note 8)

On behalf of the Board

Ruth Noseworthy Chair D. Noel 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 2012	(Note 9) Budget 2012	Actual 2011
Revenue			
Levies	\$ 281,724	\$ 262,500	\$ 273,283
Over-marketing levy assessment	-	16,940	-
Grant funded projects	3,300	-	32,352
Interest and miscellaneous	<u>253</u>	<u>200</u>	<u>830</u>
	285,277	279,640	306,465
Other costs			
Costs for Grant funded projects	<u>13,036</u>	<u>9,000</u>	<u>40,740</u>
	<u>272,241</u>	<u>270,640</u>	<u>265,725</u>
Expenses (Page 13)			
Administration services	\$ 121,335	\$ 102,844	\$ 108,562
Regulatory services	117,883	114,974	117,237
Promotion services	29,702	29,761	29,585
Facilitation services	<u>21,132</u>	<u>23,015</u>	<u>20,587</u>
	<u>290,052</u>	<u>270,594</u>	<u>275,971</u>
Annual deficit	<u>\$ (17,811)</u>	<u>\$ 46</u>	<u>\$ (10,246)</u>
Accumulated surplus, beginning of year	\$ 117,096	\$ 117,096	\$ 127,342
Annual deficit	<u>(17,811)</u>	<u>46</u>	<u>(10,246)</u>
Accumulated surplus, end of year	<u>\$ 99,285</u>	<u>\$ 117,142</u>	<u>\$ 117,096</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 2012	(Note 9) Budget 2012	Actual 2011
Annual (deficit) surplus	\$ (17,811)	\$ 46	\$ (10,246)
Amortization of tangible capital assets	827	-	986
Decrease (increase) in prepaids	<u>354</u>	<u>-</u>	<u>(512)</u>
Decrease in net assets	(16,630)	46	(9,772)
Net financial assets, beginning of year	<u>110,301</u>	<u>110,301</u>	<u>120,073</u>
Net financial assets, end of year	<u>\$ 93,671</u>	<u>\$ 110,437</u>	<u>\$ 110,301</u>

See accompanying notes to the financial statements.

Chicken Farmers of Newfoundland and Labrador

Statement of Cash Flows

Year Ended December 31 2012 2011

(Decrease) increase in cash and cash equivalents		
Operating		
Annual deficit	\$ (17,811)	\$ (10,246)
Change in non-cash items		
Accrued severance pay	1,705	1,434
Depreciation	827	986
Receivables	(1,676)	13,087
Prepays	354	(512)
Current portion of long-term receivable	16,940	-
Payables and accruals	(2,481)	3,340
Deferred grant revenue	-	(19,152)
Cash provided by operating transactions	<u>(2,142)</u>	<u>(11,063)</u>
Investing		
Increase in long term investment	-	(608)
Decrease in long term receivable	<u>-</u>	<u>16,940</u>
Cash provided by investing transactions	<u>-</u>	<u>16,332</u>
(Decrease) increase in cash and cash equivalents	(2,142)	5,269
Cash and cash equivalents, beginning of year	<u>91,539</u>	<u>86,270</u>
Cash and cash equivalents, end of year	<u>\$ 89,397</u>	<u>\$ 91,539</u>

See accompanying notes to the financial statements.

Chicken Farmers of Newfoundland and Labrador

Notes to the Financial Statements

December 31, 2012

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 \$82,639 of levies collected in 2012 (2011 - \$80,164).

3. Summary of significant accounting policies

Basis of presentation

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants and reflect the following significant accounting policies.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the period. Items requiring the use of significant estimates include the useful life of capital assets, estimated accrual severance rates for amortization and impairment of assets.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

Levies

The Board charges levies to the producer based on volume of chicken marketed in Newfoundland and Labrador. Revenue is recognized when the chicken is produced/marked and collectability is reasonably assured.

Chicken Farmers of Newfoundland and Labrador

Notes to the Financial Statements

December 31, 2012

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, 2012

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, 2012

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, 2012 was \$28,658 (2011 - \$28,658).

5. Receivables	<u>December 31</u> <u>2012</u>	December 31 <u>2011</u>
Levies	\$ 22,679	\$ 20,456
Accrued interest	<u>102</u>	<u>649</u>
	<u>\$ 22,781</u>	<u>\$ 21,105</u>

6. Long term receivable	<u>December 31</u> <u>2012</u>	December 31 <u>2011</u>
Over-marketing levy receivable from Country Ribbon Inc., non-interest bearing, repaid during the year.	\$ -	\$ 16,940
Less: current portion	<u>-</u>	<u>(16,940)</u>
	<u>\$ -</u>	<u>\$ -</u>

7. Tangible capital assets			<u>December 31</u> <u>2012</u>	December 31 <u>2011</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Furniture and equipment	\$ 34,189	\$ 31,071	<u>\$ 3,118</u>	<u>\$ 3,945</u>

Chicken Farmers of Newfoundland and Labrador

Notes to the Financial Statements

December 31, 2012

8. Commitments

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

2013 - \$3,187; 2014 - \$3,187 and 2015 - \$1,859

9. Budget figures

The 2012 budget figures presented in the statement of operations are provided by management and have not been audited.

10. 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, 2012.

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 accounts payable. The Board reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due. In the opinion of management the liquidity risk exposure to the Board is low and not material.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Board's main credit risk relates to its receivables of \$22,780 (2011 - \$38,045). 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.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Board is not exposed to any of these risks.

Chicken Farmers of Newfoundland and Labrador

Schedule of Expenses

December 31	2012	2011
	<u>Actual</u>	<u>Actual</u>
Administration		
Depreciation	\$ 827	\$ 986
Federation of Agriculture	12,558	12,964
Honorariums	12,000	12,000
Insurance	1,674	1,710
Interest and bank charges	1,804	1,497
Office and postage	5,205	6,764
Per diems	15,875	7,450
Professional fees	29,038	23,091
Rent	2,836	2,669
Telephone	5,974	6,492
Travel and meetings	7,318	7,862
Wages and benefits	<u>26,226</u>	<u>25,077</u>
	<u>\$ 121,335</u>	<u>\$ 108,562</u>
Regulation		
Levy – CFC	\$ 82,639	\$ 80,164
Office and postage	1,170	-
Professional fees	-	3,105
Travel and meetings	7,058	8,107
Wages and benefits	<u>27,016</u>	<u>25,861</u>
	<u>\$ 117,883</u>	<u>\$ 117,237</u>
Promotion		
Donations	\$ 595	\$ 2,241
Office and postage	500	-
Promotion	13,262	11,904
Travel and meetings	3,064	3,685
Wages and benefits	<u>12,281</u>	<u>11,755</u>
	<u>\$ 29,702</u>	<u>\$ 29,585</u>
Facilitation		
Office and postage	\$ 691	\$ -
Travel and meetings	4,067	4,914
Wages and benefits	<u>16,374</u>	<u>15,673</u>
	<u>\$ 21,132</u>	<u>\$ 20,587</u>
Total expenses	<u>\$ 290,052</u>	<u>\$ 275,971</u>