

Chicken Farmers of Newfoundland and Labrador

Annual Performance Report



Fiscal Year 2011



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Message from the Chair 2011

Chicken Farmers of Newfoundland and Labrador (CFNL) adheres to a rigorous planning process to provide the Newfoundland and Labrador chicken industry with clear, concise objectives and a solid direction and purpose for the future. We are focusing on strengthening relationships with all of our industry partners and this will facilitate better communication among all parties and allow better decision making at all levels. On behalf of the board of directors I am confident that we have progressed as planned on the objectives identified by the CFNL.

In undertaking the activities outlined in the three-year activity plan for 2011-2013 the board continually considered the strategic directions outlined by the Minister. The board diligently pursues all avenues to understand the challenges that face the Newfoundland and Labrador chicken industry and works to provide resolutions to these challenges.

The board was successful in achieving its 2011 objectives outlined in our 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 the document.

Yours Sincerely,

A handwritten signature in black ink that reads "Ruth Noseworthy". The signature is written in a cursive, flowing style.

Ruth Noseworthy
Chair
CFNL

Overview

CFNL is a not-for-profit organization, which was established in 1981 by the *Newfoundland and Labrador Chicken Marketing Scheme* under the *Natural Products Marketing Act, 1973*. 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.

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 *Newfoundland and Labrador Chicken Marketing Scheme* and any orders or regulations made with the 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 - The CFNL promotes the sustainability of the industry through the supply management system, chicken consumption, chicken industry and the farming community. Annual promotion and marketing activities of the board may include participation in trade shows, lobby days, consumer education and advertising campaigns (e.g. brochures, agricultural campaigns and website development). The frequency of these activities is dependent upon the financial resources of the board.
4. Facilitator Role - The 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 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 the 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 birds are met and followed. After all, 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, 2011, 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 voted in favor of a regulatory amendment to make compliance with the technical parameters of the On-Farm Food Safety Assurance Program mandatory. CFNL requested that government develop legislation to make the On-Farm Food Safety Assurance Program mandatory. Draft legislation has been formulated and is currently being reviewed for approval. When the amendment is approved it will provide CFNL with a tool to encourage compliance with the program. The amendment outlines the roles and responsibilities of farmers with regard to achieving compliance with the food safety program.

CFNL provided two one-on-one and one group information sessions for farmers regarding the food safety and animal care programs. These sessions are ongoing and are used to assist the farmers with achieving compliance on the programs. A protocol was developed for the identification and recording of the nutritional composition of feed and was demonstrated to producers. This protocol developed in 2011 was demonstrated to producers at the information session and assisted producers with completing documentation regarding the food safety and animal care programs. The protocol identifies the ingredients contained in the feed and the benefits of the ingredients to the animal.

Continued food safety and animal care auditing of farms:

In 2011, the CFNL was successful with implementing and auditing the voluntary 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 2011, four full audits and four partial audits were performed. In addition, three farms have also achieved compliance with the Animal Care program which is currently a voluntary program. 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 2011, 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 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 was developed in December 2011 and has been incorporated into the administering of the program from that point onwards.

Increased Promotion and Education

Strengthening the link with consumers and highlighting the importance of agriculture in their daily lives provides farmers with 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 consumers 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, 2011, 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 the CFNL and posted promotional/educational information for the public:

In 2011, CFNL was successful in creating an updated web presence through the addition of new information and features to its existing web site. Updated information has been posted to our website to strengthen our online relationship with the public. Information regarding food safety, animal care, annual reports, recipes and the CFNL organizational composition has been posted to provide pertinent details and information that is helpful in understanding the role of CFNL. A link to the national agency (Chicken Farmers of Canada) has also been established on the website and provides the public with a broader scope of the chicken industry in Canada.

Increased representation at trade shows:

In 2011, CFNL attended two agricultural trade shows; one more than the previous year, one on the east coast and another 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, pencils, pens and markers with the CFNL website attached, activity books, tattoos, food safety information and an opportunity to win chicken for a year. In some instances the public uses the show as an opportunity to provide feedback on their experiences with Newfoundland and Labrador chicken products. CFNL encourages the public to provide feedback and provides contact information such as the website and CFNL board information to the public; for ease of relaying information.

Supported initiatives designed to increase provincial consumption:

CFNL supported an initiative with Country Ribbon Incorporated by providing some funding for a multi-channel media campaign aimed at promoting chicken that is raised and processed in Newfoundland and Labrador. The campaign focused on building recognition of Newfoundland and Labrador chicken as the freshest chicken because it is grown and processed in Newfoundland and Labrador. The campaign ran from June to September and utilized radio, television and the internet with the aim of reaching consumers at various points throughout their day and increasing their preference for chicken produced in Newfoundland and Labrador. Differentiating Newfoundland and Labrador produced chicken as the freshest will allow Newfoundland and Labrador produced chicken to be the choice for years to come.

Governance Structure

When good governance practices are adapted appropriately 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, 2011, CFNL will have further implemented processes to enhance the governance structure for the organization.

Measure: Further implemented processes

Indicators:

- Measured compliance against financial management procedures

- Increased data collection to support better decision making and service delivery
- Continued to review operations to identify opportunities for enhancement/change

Measured compliance against financial management procedures:

CFNL has a third party audit of its financial operations 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. Additionally, the Farm Industry Review Board, the supervisory board; receives a copy of the financial statements of CFNL. CFNL selects an auditing firm with clearly defined auditing plans. A management letter is provided by the auditing firm and outlines improvements that can be made to the financial management procedures. Two areas for improvement were identified during the audit. The management letter was formally responded to by CFNL and action was taken to achieve compliance regarding improvements that had been identified. The CFNL budget for the fiscal year is reviewed bi-annually against the expenditures of the board to ensure targets are being adhered to. CFNL fiscal policies; such as travel and expense policies, are forwarded to the Farm Industry Review Board for its approval. Approval from the Farm Industry Review Board is achieving compliance with the *Natural Products Marketing Act* and is also in compliance with the *Newfoundland and Labrador Chicken Marketing Scheme*. These procedures are outlined in the *Natural Products Marketing Act* and provide guidance for achieving compliance with the management activity.

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 the Animal Care program and stocking density requirements occurred in order to facilitate the number of producers participating on the program. Producer certifications on the program increased from two to three as a result of the collection of the data. Data was collected for two additional farms relating to building size, floor space, number of feeders, number of drinkers and stocking density and inputted into software programs to assist farmers with achieving compliance with the program. This data collection is integral to the Animal Care Program and identifies various thresholds which should not be exceeded; these thresholds are easily identified through this searchable and shareable data collection system. Identifying the thresholds that would force a farmer into non-compliance permits the farmer to avoid those conditions and optimizes program delivery from CFNL. Prior to the implementation of the Animal Care Program the need to collect the above mentioned data was not required, however, with the implementation of the Animal Care Program it is a requirement to collect the information. CFNL will continue to improve its data collection methods and aim to improve service delivery and further increase the number of producers certified on the program.

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

CFNL has a continuous improvement strategy regarding the operations of the board and endeavors to make improvements at every opportunity. Increased meetings of the board have been held to facilitate resolution of emerging issues and linkage with the Farm Industry Review Board has been enhanced to permit broader scope of various issues that have needed to be addressed, such as; legislation for the mandatory On-Farm Food Safety Assurance Program. Coordination with government departments such as the Department of Finance regarding budgeting assessments for longer term forecast has been improved. Ordinarily, CFNL prepares a yearly budget but with the encouragement of the Department of Finance a six year forecast was prepared. With the development of the longer term budget CFNL was able to prepare for financial obligations that had been identified in the budgeting process. CFNL was able to identify funding requirements for the six year period and then was able to plan fiscally to meet those requirements and make adjustments where required.

Chicken Farmers of Canada conducted an audit of CFNL's data reporting mechanisms and suggested improved data capturing and reporting regarding poultry production in the province. Timely and accurate relaying of poultry production from the province to the national agency is a requirement for the monitoring and enforcement policies of Chicken Farmers of Canada and CFNL. CFNL responded by reviewing the current system of data capture and reporting and implemented an increased data analysis and retention mechanism to improve CFNL's ability to report on the chicken industry. CFNL now reports the data weekly to the Chicken Farmers of Canada to ensure timely and accurate recording of poultry production.

Financials



Financial Statements

Chicken Farmers of Newfoundland and Labrador

December 31, 2011

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Statement of responsibility

Grant Thornton LLP
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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 Nesworthy Chair E. O'Reilly 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, 2011, December 31, 2010 and January 1, 2010 and the statement of operations, changes in net assets and cash flows for the years then ended, December 31, 2011 and December 31, 2010 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, 2011, December 31, 2010 and January 1, 2010 and its financial performance and its cash flows for the years then ended December 31, 2011 and December 31, 2010 in accordance with Canadian public sector accounting standards.

St. John's, Newfoundland and Labrador

March 30, 2012



Chartered Accountants

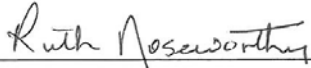

Chicken Farmers of Newfoundland and Labrador Statement of Financial Position

(Note 4)
January 1
2010

December 31	2011	2010	2010
Financial assets			
Cash and cash equivalents	\$ 91,539	\$ 86,270	\$ 61,367
Receivables – current (Note 6)	21,105	34,192	23,126
Current portion of long term receivable (Note 7)	16,940	16,940	-
Long term receivable (Note 7)	-	16,940	-
Investment	<u>15,651</u>	<u>15,043</u>	<u>15,043</u>
	\$ 145,235	\$ 169,385	\$ 99,536
Liabilities			
Payables and accruals	\$ 30,038	\$ 26,698	\$ 22,213
Deferred grant revenue (Note 8)	-	19,152	11,965
Accrued severance pay	<u>4,896</u>	<u>3,462</u>	<u>2,115</u>
	<u>34,934</u>	<u>49,312</u>	<u>36,293</u>
Net financial assets	\$ 110,301	\$ 120,073	\$ 63,243
Non-financial assets			
Prepays	\$ 2,850	\$ 2,338	\$ 2,173
Tangible capital assets (Note 9)	<u>3,945</u>	<u>4,931</u>	<u>3,523</u>
	<u>6,795</u>	<u>7,269</u>	<u>5,696</u>
Accumulated surplus	\$ 117,096	\$ 127,342	\$ 68,939

Commitments (Note 10)

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 2011	(Note 11) Budget 2011	Actual 2010
Revenue			
Levies	\$ 273,283	\$ 270,000	\$ 281,622
Over-marketing levy assessment	-	16,940	50,819
Grant funded projects	32,352	-	41,574
Interest and miscellaneous	<u>830</u>	<u>200</u>	<u>810</u>
	306,465	287,140	374,825
Other costs			
Costs for Grant funded projects	<u>40,740</u>	-	<u>34,320</u>
	<u>265,725</u>	<u>287,140</u>	<u>340,505</u>
Expenses (Page 15)			
Administration services	\$ 108,562	\$ 101,152	\$ 106,894
Regulatory services	117,237	128,963	119,988
Promotion services	29,585	35,265	28,715
Facilitation services	<u>20,587</u>	<u>21,020</u>	<u>26,505</u>
	<u>275,971</u>	<u>286,400</u>	<u>282,102</u>
Annual (deficit) surplus	<u>\$ (10,246)</u>	<u>\$ 740</u>	<u>\$ 58,403</u>
Accumulated surplus, beginning of year	\$ 127,342	\$ 127,342	\$ 68,939
Annual (deficit) surplus	<u>(10,246)</u>	<u>740</u>	<u>58,403</u>
Accumulated surplus, end of year	<u>\$ 117,096</u>	<u>\$ 128,082</u>	<u>\$ 127,342</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	2011	2010
Annual (deficit) surplus	\$ <u>(10,246)</u>	\$ 58,403
Acquisition of tangible capital assets	-	(2,348)
Amortization of tangible capital assets	986	940
Increase in prepaids	<u>(512)</u>	<u>(165)</u>
Increase (decrease) in net assets	(9,772)	56,830
Net financial assets, beginning of year	<u>120,073</u>	<u>63,243</u>
Net financial assets, end of year	\$ <u>110,301</u>	\$ <u>120,073</u>

See accompanying notes to the financial statements.

Chicken Farmers of Newfoundland and Labrador

Statement of Cash Flows

Year Ended December 31	2011	2010
Increase (decrease) in cash and cash equivalents		
Operating		
Annual (deficit) surplus	\$ (10,246)	\$ 58,403
Change in non-cash items		
Accrued severance pay	1,434	1,347
Depreciation	986	940
Receivables	13,087	(11,066)
Prepays	(512)	(165)
Current portion of long-term receivable	-	(16,940)
Payables and accruals	3,340	4,485
Deferred grant revenue	<u>(19,152)</u>	<u>7,187</u>
Cash provided by operating transactions	<u>(11,063)</u>	<u>44,191</u>
Capital		
Cash used to acquire tangible capital assets	<u>-</u>	<u>(2,348)</u>
Investing		
Increase in long term investment	(608)	-
Decrease (increase) in long term receivable	<u>16,940</u>	<u>(16,940)</u>
Cash provided by investing transactions	<u>16,332</u>	<u>(16,940)</u>
Increase in cash and cash equivalents	5,269	24,903
Cash and cash equivalents, beginning of year	<u>86,270</u>	<u>61,367</u>
Cash and cash equivalents, end of year	<u>\$ 91,539</u>	<u>\$ 86,270</u>

See accompanying notes to the financial statements.

Chicken Farmers of Newfoundland and Labrador

Notes to the Financial Statements

December 31, 2011

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 \$80,164 of levies collected in 2011 (2010 - \$82,844).

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

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

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

Levies

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

Chicken Farmers of Newfoundland and Labrador
Notes to the Financial Statements
December 31, 2011

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

Grant revenue

Revenues from grants are 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, 2011

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, 2011

4. Impact of the change in the basis of accounting

These financial statements are the first financial statements for which the Board has applied Canadian public sector accounting standards ("PSAB"). The financial statements for the period ended December 31, 2011 were prepared in accordance with PSAB. Comparative period information presented for the period ended December 31, 2010 was prepared in accordance with PSAB and the provisions set out in Section *PS 2125 First-time adoption by government organizations*.

The date of transition to PSAB is January 1, 2010. The Organization's transition from generally accepted accounting principles (previously "GAAP") to PSAB has had no significant impact on the opening accumulated surplus as at January 1, 2010. However, the adoption of the standards has resulted in a restatement of the Statement of Operations for the year ended December 31, 2010 as well as the deferred revenue and accumulated surplus as of December 31, 2010.

As of December 31, 2010, deferred revenue included \$7,254 of funds remaining from a one time payment received from the Chicken Farmers of Canada for the On-Farm Food Safety Program. There were no specific timeframe requirements regarding the use of the funds and no terms of repayment for any unused funds. Therefore, the funds are not permitted to be deferred under Public Sector Standards and as a result, the following restatement has occurred:

(a) Adjustment to the statement of financial position as at December 31, 2010:

	As previously reported	Effect of transition	As restated
Liabilities			
Deferred revenue	\$ 26,406	\$ (7,254)	\$ 19,152
Accumulated surplus	\$ 120,088	\$ 7,254	\$ 127,342

(b) Reconciliation of previously reported excess of revenue over expenses for December 31, 2010 with the annual surplus for December 31, 2010 shown in the financial statements:

	2010
Excess of revenue over expenses, as previously reported at December 31, 2010	\$ 51,149
Adjustment related to deferred revenue	7,254
Annual surplus, as adjusted at December 31, 2010	\$ 58,403

The Board did not apply any of the transition exceptions and exemptions to full retrospective applications of PSAB.

Chicken Farmers of Newfoundland and Labrador
Notes to the Financial Statements
 December 31, 2011

5. 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 C.F.C.

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, 2011 was \$28,658 (2010 - \$28,658).

6. Receivables	December 31	December 31	January 1
	<u>2011</u>	<u>2010</u>	<u>2010</u>
Levies	\$ 20,456	\$ 29,092	\$ 21,342
Accrued interest	649	649	222
Travel advances	-	4,451	1,562
	<u>\$ 21,105</u>	<u>\$ 34,192</u>	<u>\$ 23,126</u>

7. Long term receivable	December 31	December 31	January 1
	<u>2011</u>	<u>2010</u>	<u>2010</u>
Over-marketing levy receivable from Country Ribbon Inc., non-interest bearing, repayable on March 2012.	\$ 16,940	\$ 33,880	\$ -
Less: current portion	<u>(16,940)</u>	<u>(16,940)</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 16,940</u>	<u>-</u>

8. Deferred grant revenue	December 31	December 31	January 1
	<u>2011</u>	<u>2010</u>	<u>2010</u>
Balance, beginning of year, as restated	\$ 19,152	\$ 11,965	\$ -
Revenue			
Advances during the year	-	41,507	30,200
Expenses			
Project costs	<u>19,152</u>	<u>34,320</u>	<u>18,235</u>
	<u>\$ -</u>	<u>\$ 19,152</u>	<u>\$ 11,965</u>

Chicken Farmers of Newfoundland and Labrador
Notes to the Financial Statements
 December 31, 2011

8. Tangible capital assets	December 31 <u>2011</u>	December 31 <u>2010</u>	January 1 <u>2010</u>
Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture and equipment	\$ <u>34,189</u>	\$ <u>30,244</u>	\$ <u>3,945</u>
		\$ <u>4,931</u>	\$ <u>3,523</u>

10. Commitments

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

2012 - \$3,187; 2013 - \$3,187; 2014 - \$3,187 and 2015 - \$1,859

11. Budget figures

The 2011 budget figures presented in the statement of operations are provided by management and have not been audited. These figures are included for the convenience of the reader only.

12. 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, 2011.

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.

Chicken Farmers of Newfoundland and Labrador
Notes to the Financial Statements
December 31, 2011

12. Financial instruments (cont'd.)

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 \$38,045 (2010 - \$68,072). 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	2011	2010
	Actual	Actual
Administration		
Depreciation	\$ 986	\$ 940
Federation of Agriculture	12,964	12,675
Honorariums	12,000	12,000
Insurance	1,710	1,653
Interest and bank charges	1,497	1,235
Miscellaneous	-	154
Office and postage	6,764	9,352
Per diems	7,450	6,275
Professional fees	23,091	21,796
Rent	2,669	2,637
Telephone	6,492	6,214
Training	-	122
Travel and meetings	7,862	6,990
Wages and benefits	25,077	24,851
	\$ 108,562	\$ 106,894
Regulation		
Levy – CFC	\$ 80,164	\$ 82,844
Professional fees	3,105	4,310
Travel and meetings	8,107	7,208
Wages and benefits	25,861	25,626
	\$ 117,237	\$ 119,988
Promotion		
Donations	\$ 2,241	\$ 4,062
Promotion	11,904	9,729
Travel and meetings	3,685	3,276
Wages and benefits	11,755	11,648
	\$ 29,585	\$ 28,715
Facilitation		
Professional fees	\$ -	\$ 6,605
Travel and meetings	4,914	4,369
Wages and benefits	15,673	15,531
	\$ 20,587	\$ 26,505
Total expenses	\$ 275,971	\$ 282,102