

Chicken Farmers of Newfoundland and Labrador

Annual Performance Report



Fiscal Year 2018



Table of Contents

1.	Table of Contents	2
2.	Message from the Chair	3
3.	Overview	4
4.	Highlights and Partnerships	7
5.	Mandate	8
6.	Activities	9
7.	Opportunities and Challenges	13
8.	Appendix A - Audited Financial Statements	14

Message from the Chair 2018

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 for the fiscal year ended December 31, 2018. The Chicken Farmers of Newfoundland and Labrador is a non-profit public body with a mandate to promote, regulate and control the production and marketing of chicken by producers and processors. The appointment and length of term of each Board member is at the discretion of the Minister. A merit-based process is utilized for all appointments that fall under Schedule C of the **Public Service Commission Act**. Opportunities for appointments will be posted on the Agencies, Boards and Commissions website and interested persons can apply to the Public Service Commission; it ensures that candidates meet the relevant requirements. A list of qualified individuals will be forwarded to the Minister for consideration.

The revenues and expenditures of the Board are increased this year due to increased chicken production allocation. For further details regarding revenues and expenditures please refer to the attached audited financial statements.

This Annual Performance Report has been prepared in accordance with the **Transparency and Accountability Act** provisions for a Category Three entity. This report reflects the progress that has been made in 2018 on the objectives identified by the Chicken Farmers of Newfoundland and Labrador in its 2017-19 Activity Plan.

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

Yours Sincerely,



Paul Dunphy
Chairperson
CFNL

Overview

Chicken Farmers of Newfoundland and Labrador (CFNL) is a non-profit public body, which was established in 1980 by the **Newfoundland and Labrador Chicken Marketing Scheme (the Scheme)** under the **Natural Products Marketing Act, 1973 (the Act)**. The purpose and intent of CFNL is to provide for the effective promotion, control and regulation of the production and marketing of chicken within the province, including the prohibition of production or marketing of chicken. The CFNL regularly convenes six to seven times a year to review chicken allocation, legislation, policies and market conditions.

The CFNL administers the regulation and marketing of chicken as provided for in the **Act** and the **Scheme** under the laws of the Province of Newfoundland and Labrador. The CFNL operates under a risk management system commonly known as “supply management.” Supply management is a uniquely Canadian approach to agricultural production that benefits the entire Canadian food chain, from farmers to processors to consumers. Farmers get a fair return for their products, processors get a reliable supply of raw ingredients, and Canadians get a consistent selection of high-quality products at reasonable prices. The **Scheme** directs the appointment of a three to five member Board to be appointed by the Minister of Fisheries and Land Resources. CFNL is supported by one permanent employee and the office is located in the Avalon region. CFNL reports to the Farm Industry Review Board, which is the supervisory Board. The CFNL is self-funded; all chicken producers are required to pay a service charge of \$0.0159 per kilogram (live weight), plus HST, to the Board. CFNL expenditures are paid using this service charge. Further information on the revenue source can be found in Appendix A under the revenue section.

The levy price per kilogram (live weight) paid to the Board of CFNL from the producer is set by the Board of the CFNL. The levy is comprised of a Provincial levy of \$0.0106 cents/kilogram and a Chicken Farmers of Canada levy of \$0.0053 cents/kilogram. This is a total of \$0.0159 cents/kilogram for every kilogram of live weight chicken processed.

	2018	2017
Revenues	\$ 355,493.00	\$ 299,349.00
Expenditures	<u>\$ 312,768.00</u>	<u>\$ 292,629.00</u>
Surplus	\$ 42,725.00	\$ 6,720.00

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

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

Chicken Farmers of Newfoundland and Labrador

P.O. Box 8098

St. John's, NL

A1B 3M9

Telephone: 709-747-1493

Fax: 709-747-0544

Email: rwalsh@nlchicken.com

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

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

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

Lines of Business:

The CFNL provides the following lines of business:

1. **Regulatory Role** - CFNL regulates the production of chicken through a production licence. This licence permits the holder to produce, or to have produced by a contract grower, chicken to the extent of the production quota shown on that licence in accordance with the **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 CFNL and the terms and conditions of a production licence imposed by CFNL upon a producer.
2. **Signatory Role** - The Minister of Fisheries and Land Resources, Farm Industry Review Board and CFNL are the Newfoundland and Labrador signatories to the Federal-Provincial Agreement for Chicken with the Federal Minister, other provincial and territorial ministers and supervisory and chicken supply managed Boards in Canada.

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

Highlights and Partnerships

The CFNL works in partnership with producers and the national agency; Chicken Farmers of Canada, to achieve common goals and move the chicken industry towards increased sustainability.

The CFNL deals directly with producers to monitor chicken production, coordinate initiatives aimed at increasing commercial viability of the industry and deliver the food safety and animal care programs. This collaborative activity ensures compliance with existing legislation and drives the industry towards sustainable practices that yield public good.

Chicken Farmers of Canada is comprised of 14 directors representing member organizations plus a Chair. There are ten directors appointed by provincial chicken boards, two directors appointed by the Canadian Poultry and Egg Processors Council and one director each appointed by the Further Poultry Processors Association of Canada and Restaurants Canada. The member organizations also appoint an alternate for each director. CFNL is represented at Chicken Farmers of Canada by two delegates; a director and an alternate, which represent Newfoundland and Labrador. CFC delegates are the Chair and the Vice-Chair of CFNL respectively. Chicken Farmers of Canada provides a forum for each province to provide input regarding regional, provincial, national and international matters.

Chicken Farmers of Canada held 6 meetings in 2018 that CFNL members participated in; February 7-8, March 20-22, May 29-31, July 23-26, September 19-20 and November 21-22. Each meeting was held in Ottawa with the exception of the July meeting, which was held in Nova Scotia. The Chairperson and executive director of CFNL attended each meeting. At the meetings allocation of chicken is determined, animal care program updates are finalized, food safety revisions are reviewed, antimicrobial use reduction strategies are developed and various other topics of concern to the poultry industry are addressed.

Mandate

CFNL operates under the authority of the Minister of Fisheries and Land Resources 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.

Activities

Issue One: Emergency Preparedness

The Newfoundland and Labrador chicken industry provides a significant contribution to the agriculture industry through the provision of food products and employment. Mitigating any disruption that may occur within the chicken industry requires advance planning and strategic efforts to limit the impact that may result due to man-made or natural disasters.

Objective 1:

By December 31, 2018, Chicken Farmers of Newfoundland and Labrador will have advanced initiatives related to emergency planning and preparedness in the provincial chicken industry.

Indicators:

- Completed revised emergency preparedness plan
- Disseminated emergency preparedness plan to stakeholders

Completed revised emergency preparedness plan:

In 2018, CFNL successfully completed a revised emergency preparedness plan. Three meetings of the committee were held at the CFNL board office and the committee included representation from the chicken industry, Fisheries and Land Resources staff (poultry veterinarian and poultry specialist), Canadian Food Inspection Agency and the egg industry. Several drafts of the plan were developed and edited to address the specific needs of the Newfoundland and Labrador poultry industry. The committee met three times during the year; August 15, October 18 and December 12, 2018 to review and edit drafts of the revised emergency preparedness plan. A final version was completed at the December 12, 2018 meeting. The emergency preparedness plan will assist the Newfoundland and Labrador poultry industry with successful mitigation of any emergency situation that may occur.

Disseminated emergency preparedness plan to stakeholders:

In 2018, CFNL was unable to disseminate the emergency preparedness plan to stakeholders due to edits and revisions required to update the plan. Edits and revisions

to the plan required verification and further clarity before inclusion in the emergency preparedness plan was possible. This process utilized more time than expected and prevented dissemination of the emergency preparedness plan to stakeholders. Members of the emergency management team have been trained in Basic Emergency Management and Incident Command System offered from the Newfoundland and Labrador Emergency Measure Organization. The dissemination of the revised emergency preparedness plan will complement the readiness of the poultry industry for any emergency that may occur.

The objective provided above will be pursued by CFNL again in 2019. The objective and indicators for Issue 1 for 2019 are as follows:

Objective 2: By December 31, 2019, Chicken Farmers of Newfoundland and Labrador will have advanced initiatives related to emergency planning and preparedness in the provincial chicken industry.

Indicators:

- Disseminated emergency preparedness plan to stakeholders

Issue Two: Education and Training

The Chicken Farmers of Newfoundland and Labrador is committed to continually improving the knowledge and skillset of stakeholders in the chicken industry. Providing training and education to participants within the chicken industry raises the level of understanding and awareness of issues related to the chicken industry. Increased knowledge regarding issues related to the chicken industry affords individuals the opportunity for improved decision making.

Objective 1:

By December 31, 2018, CFNL will have supported initiatives to increase training and education of the poultry sector participants.

Indicators:

- Coordinated commodity specific training for industry personnel and Board members
- Hosted education and training sessions for producers and Board members

Coordinated commodity specific training for industry personnel and Board members:

In 2018, CFNL coordinated commodity specific training for industry personnel and Board members to increase their level of knowledge and to raise awareness of the various laws that may govern the poultry industry. On April 25, 2018 CFNL coordinated a training session for two board members, three producers and 10 stakeholders aimed at increasing the level of understanding of producers and Board members regarding the legal system as it pertains to the poultry industry. Trespassing and mischief offences on farming operations are common areas of concern for the poultry industry. Constitutional and criminal law provisions were explained and demonstrated. A distinction between civil and criminal action was provided and various avenues that could be pursued when dealing with these matters were outlined. The **Charter of Rights and Freedoms** and the **Criminal Code of Canada** were also discussed. Provisions and limitations of various laws were outlined and demonstrated as they related to the poultry industry. Understanding legal obligations, limitations and processes will facilitate a better experience for those that may have to participate in the legal system.

Hosted education and training sessions for producers and Board members:

In 2018, CFNL hosted education and training for Board members regarding the **Access to Information and Protection of Privacy Act (the Act)** for directors. This **Act** provides the public with the right of access to records and protection of the privacy of individuals whose personal information is collected, used and disclosed by public bodies. On February 23, 2018 a training session was provided by The Access to Information and Protection of Privacy Office, Department of Justice and Public Safety. Information regarding the requirements of the legislation were discussed and explained. CFNLs' responsibility regarding the legislation was outlined and opportunities for clarification were provided. CFNL directors are aware of the responsibilities required to achieve compliance with the **Access to Information and Protection of Privacy Act**.

The CFNL board was reconstituted in September 2018 with three new Board members being appointed and two re-appointments. New members required education and training to become acquainted and knowledgeable regarding the operations of CFNL and the poultry industry. On October 19, 2018 a CFNL orientation session for board members was held. Issues such as; roles and responsibilities of directors, setting of chicken allocation, animal care, food safety, sustainability, legislative requirements, existing agreements with other provinces and poultry agencies, CFNL policies, finance and budgeting were discussed and explained. Providing each director with the information and resources to make informed decisions improves the governance of the CFNL organization and provides increased accountability for decisions.

The objective provided above will be pursued by CFNL again in 2019. The Board has determined that the indicators provided for 2018 are also valid for 2019. As such, the objective and indicators for Issue 2 for 2019 are as follows:

Objective 2: By December 31, 2019, CFNL will have supported initiatives to increase training and education of the poultry sector participants.

Indicators:

- Coordinated commodity specific training for industry personnel and Board members
- Hosted education and training sessions for producers and Board members

Opportunities and Challenges

Challenges:

Antimicrobials are used in animal agriculture to prevent, treat, and control certain diseases and to improve production. Elimination of preventative use of Category I antimicrobials occurred in 2014, elimination of preventative use of Category II antimicrobials occurred on December 31, 2018 and now a goal of eliminating preventative use of Category III antimicrobials for the end of 2020 is planned. Each farm will have to re-evaluate production practices and determine what works best for their operation.

Opportunities:

CFNL will work with producers to explore best production practices to decrease dependence on antimicrobial use. This will assist the chicken industry with achieving the antimicrobial reduction strategy that is currently being pursued.

CFNL recognizes that challenges and opportunities will continue to emerge regarding the chicken industry and our efforts to address these matters will include consideration of and for all stakeholders. The Board is committed to promoting a sustainable chicken industry through the activities outlined in its mandate.

Appendix A



Grant Thornton

Financial Statements

Chicken Farmers of Newfoundland and Labrador

December 31, 2018

Contents

	Page
Statement of Responsibility	1
Independent Auditors' 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	8-11
Schedule of Expenses	12

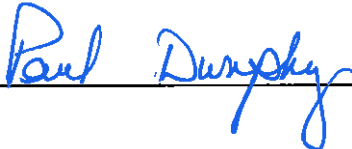

Statement of Responsibility

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 +1 709 778 8800
F +1 709 722 7892

To the Directors of Chicken Farmers of Newfoundland and Labrador

Opinion

We have audited the financial statements of Chicken Farmers of Newfoundland and Labrador ("the Entity"), which comprise the statement of financial position as at December 31, 2018, 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, 2018, 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 27, 2019



Chartered Professional Accountants

Chicken Farmers of Newfoundland and Labrador Statement of Financial Position

December 31	2018	2017
Financial assets		
Cash and cash equivalents	\$ 185,794	\$ 164,868
Receivables (Note 5)	38,659	13,689
Investments	<u>43,283</u>	<u>42,931</u>
	<u>267,736</u>	<u>221,488</u>
Liabilities		
Payables and accruals	23,730	21,907
Accrued severance pay	<u>16,181</u>	<u>14,710</u>
	<u>39,911</u>	<u>36,617</u>
Net financial assets	<u>227,825</u>	<u>184,871</u>
Non-financial assets		
Prepaid expenses	2,994	2,166
Tangible capital assets (Note 6)	<u>4,226</u>	<u>5,283</u>
	<u>7,220</u>	<u>7,449</u>
Accumulated surplus	<u>\$ 235,045</u>	<u>\$ 192,320</u>

On behalf of the Board

Paul Dumphy

Chair

Paul Anne Walsh

Director

See accompanying notes to the financial statements.

Chicken Farmers of Newfoundland and Labrador Statements of Operations and Changes in Accumulated Surplus

Year Ended December 31	Actual 2018	Budget 2018	Actual 2017
Revenue			
Levies	\$ 354,119	\$ 318,000	\$ 298,801
Interest and miscellaneous	<u>1,374</u>	<u>387</u>	<u>548</u>
	<u>355,493</u>	<u>318,387</u>	<u>299,349</u>
Expenses (Page 12)			
Administration	99,602	110,402	97,701
Regulatory	163,488	152,914	144,311
Promotion	28,434	29,188	28,255
Facilitation	<u>21,244</u>	<u>23,584</u>	<u>22,362</u>
	<u>312,768</u>	<u>316,088</u>	<u>292,629</u>
Annual surplus	<u>\$ 42,725</u>	<u>\$ 2,299</u>	<u>\$ 6,720</u>
Accumulated surplus, beginning of year	\$ 192,320	\$ 192,320	\$ 185,600
Annual surplus	<u>42,725</u>	<u>2,299</u>	<u>6,720</u>
Accumulated surplus, end of year	<u>\$ 235,045</u>	<u>\$ 194,619</u>	<u>\$ 192,320</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 2018	Budget 2018	Actual 2017
Annual surplus	\$ 42,725	\$ 2,299	\$ 6,720
Amortization of tangible capital assets	1,057	1,600	1,321
Increase in prepaid expenses	<u>(828)</u>	<u>-</u>	<u>(49)</u>
Increase in net assets	42,954	3,899	7,992
Net financial assets, beginning of year	<u>184,871</u>	<u>184,871</u>	<u>176,879</u>
Net financial assets, end of year	<u>\$ 227,825</u>	<u>\$ 188,770</u>	<u>\$ 184,871</u>

See accompanying notes to the financial statements.

Chicken Farmers of Newfoundland and Labrador

Statement of Cash Flows

Year Ended December 31 2018 2017

Increase in cash and cash equivalents

Operating		
Annual surplus	\$ 42,725	\$ 6,720
Change in non-cash items		
Accrued severance pay	1,471	3,285
Amortization	1,057	1,321
Receivables	(24,970)	13,384
Prepaid expenses	(828)	(50)
Payables and accruals	<u>1,823</u>	<u>(11,104)</u>
Cash provided by operating transactions	<u>21,278</u>	<u>13,556</u>
Investing		
Increase in investments	<u>(352)</u>	<u>(349)</u>
Increase in cash and cash equivalents	20,926	13,207
Cash and cash equivalents, beginning of year	<u>164,868</u>	<u>151,661</u>
Cash and cash equivalents, end of year	<u>\$ 185,794</u>	<u>\$ 164,868</u>

See accompanying notes to the financial statements.

Chicken Farmers of Newfoundland and Labrador

Notes to the Financial Statements

December 31, 2018

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 \$118,040 of levies collected in 2018 (2017 - \$99,600).

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, 2018

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.

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.

Chicken Farmers of Newfoundland and Labrador Notes to the Financial Statements

December 31, 2018

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

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.

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, 2018 was \$28,658 (2017 - \$28,658).

Chicken Farmers of Newfoundland and Labrador Notes to the Financial Statements

December 31, 2018

5. Receivables	<u>2018</u>	<u>2017</u>
Levies	\$ 38,049	\$ 13,689
Travel advances	<u>610</u>	<u>-</u>
	<u>\$ 38,659</u>	<u>\$ 13,689</u>

6. Tangible capital assets			<u>2018</u>	<u>2017</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Furniture and equipment	<u>\$ 41,954</u>	<u>\$ 37,728</u>	<u>\$ 4,226</u>	<u>\$ 5,283</u>

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, 2018.

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 \$38,659 (2017 - \$13,689). 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 \$23,730 (2017 - \$21,907). 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% (2017 - 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 Schedule of Expenses

December 31	2018	2017
Administration		
Amortization	\$ 1,057	\$ 1,321
Federation of Agriculture	12,000	12,000
Honorariums	13,000	12,000
Insurance	1,630	1,608
Interest and bank charges	737	737
Office and postage	3,856	4,384
Per diems	7,325	7,950
Professional fees	18,612	15,232
Rent	3,167	3,167
Telephone	3,283	3,479
Travel and meetings	4,369	4,933
Wages and benefits	<u>30,566</u>	<u>30,890</u>
	<u>\$ 99,602</u>	<u>\$ 97,701</u>
Regulation		
Levy – CFC	\$ 118,040	\$ 99,600
Office and postage	63	7
Professional fees	10,389	7,813
Travel and meetings	3,475	5,035
Wages and benefits	<u>31,521</u>	<u>31,856</u>
	<u>\$ 163,488</u>	<u>\$ 144,311</u>
Promotion		
Donations	\$ 1,500	\$ 1,500
Office and postage	29	4
Promotion	10,999	9,982
Travel and meetings	1,578	2,352
Wages and benefits	<u>14,328</u>	<u>14,417</u>
	<u>\$ 28,434</u>	<u>\$ 28,255</u>
Facilitation		
Office and postage	\$ 38	\$ 5
Travel and meetings	2,103	3,135
Wages and benefits	<u>19,103</u>	<u>19,222</u>
	<u>\$ 21,244</u>	<u>\$ 22,362</u>
Total expenses	<u>\$ 312,768</u>	<u>\$ 292,629</u>