

NEWFOUNDLAND AND LABRADOR
CROP INSURANCE AGENCY

Annual Performance Report

April 01, 2013 - March 31, 2014



Table of Contents

Chairperson’s Message1

Overview2

Lines of Business6

Outcome of Activities7

Opportunities and Challenges9

Appendix A: 2013-14 Premium Base Rates10

Financial Statements11



Chairperson's Message

Honourable Derrick Dalley
Minister of Natural Resources and Minister Responsible
for the Forestry and Agrifoods Agency
Natural Resources Building
P.O. Box 8700
St. John's, NL
A1B 4J6

Dear Minister:

I am pleased to submit the Annual Performance Report for the Newfoundland and Labrador Crop Insurance Agency, a category 3 public body under the *Transparency and Accountability Act*. This report covers the period April 1, 2013 to March 31, 2014.

The Newfoundland and Labrador Crop Insurance Agency recognizes its legislative role under the *Crop Insurance Act* to establish and carry out a crop insurance plan under the direction, supervision and control of the Minister. The Agency has prepared this report to outline its activities during the final year in fulfillment of objective established under the 2011-14 Activity Plan.

My signature below is on behalf of the Newfoundland and Labrador Crop Insurance Agency Board and is indicative of the Board's accountability for the results reported on its activities.

Respectfully submitted,

A handwritten signature in blue ink that reads "C. MacDonald".

Cynthia MacDonald, P. Ag.
Chairperson

Overview

The Newfoundland and Labrador Crop Insurance Agency is a Crown Corporation of the Province of Newfoundland and Labrador. In March 2013, officials from both the Provincial and Federal governments signed the Growing Forward 2 Framework Agreement. A subsection of this Agreement states the parameters of and allows for the cost-sharing of the AgriInsurance program. The Agency provides an affordable and effective AgriInsurance program for vegetable producers and operates within the *Crop Insurance Act*, R.S.N.L. 1990, c.C-39. The membership of the Agency shall consist of not less than three and not more than seven members to be appointed by the Lieutenant-Governor in Council to hold office at pleasure.

In 2013-14 the Agency consisted of the following Board members:

Cynthia MacDonald – Chairperson, Director of Agriculture Business Development Division, Forestry and Agrifoods Agency, Department of Natural Resources

Junior Eveleigh – Producer Representative

Elaine Wells – Producer Representative

Gerald Wicks – Agriculture Development Officer, Agriculture Business Development Division, Forestry and Agrifoods Agency, Department of Natural Resources

Dr. Peggy Dixon – Federal Representative, Agriculture and Agri-Food Canada

The headquarters of the Agency is in Corner Brook. A branch office for Eastern region field work is located at the Provincial Agriculture Building in St. John's and this office services all locations in eastern and central NL. There is one other Western region office located in Pynn's Brook and this office services areas in western NL and Labrador. An Agricultural Development Officer with the Forestry and Agrifoods Agency also assists producers in the Happy Valley-Goose Bay area.

The Agency operates under the umbrella of the Forestry and Agrifoods Agency with an independent annual budget of approximately \$462,222 before accounting for revenue received from the Federal Government of Canada. Since the Newfoundland and Labrador Crop Insurance Agency is part of the national AgriInsurance Program, the administration costs of the program are cost-shared on a 60:40 federal-provincial basis. The annual financial statements of the Crop Insurance Agency, attached at the end of this report, are audited by the Office of the Auditor General of Newfoundland and Labrador.

Up to four Agricultural Inspectors employed with the Forestry and Agrifoods Agency assist the Crop Insurance Agency with field inspections. Also, the Secretary/Manager of the Newfoundland and Labrador Crop Insurance Agency is an employee of the Forestry and Agrifoods Agency. The Crop Insurance Agency may be contacted at (709) 637-2077.

In years where crop losses occur, through one or more insurable perils, financial compensation is provided to help alleviate the financial strain these losses may cause. The amount of compensation paid to producers is dependent upon the coverage value chosen by the producer at the beginning of the crop season. AgriInsurance premiums are paid on a cost-shared basis with producers paying 40 per cent, the federal government paying 36 per cent and the provincial government paying 24 per cent. These premiums are deposited into a fund from which indemnities are drawn. Premiums collected in 2013-14 totaled \$123,371. This figure includes the governments' premiums as well as the producers' premiums. Appendix A shows the base rate premiums for 2013-14.

In 2013-14 there were 19 producers enrolled in the AgriInsurance program with approximately \$110,158 incurred in crop losses up to March 31, 2014. There were an average number of claims but most claims were fairly significant due to reductions in crop yields. Unusually warm, moist conditions throughout the growing season led to disease issues for some crops across the province; cabbage, carrot and turnip, in particular, were considerably distressed. A breakdown of each commodity is provided in Table 1.

Table 1: 2013-14 AgriInsurance Statistics

	Contracts #	Acreage	Coverage \$	Federal Premium \$	Provincial Premium \$	Producer Premium \$	Total Premium \$	Indemnity Claims #	Indemnity \$
Beet	2	8.72	34,718.49	1,730.42	1,153.62	1,922.69	4,806.74	0	0.00
Cabbage	11	50.35	241,077.98	11,030.10	7,353.40	12,255.67	30,639.18	6	32,261.63
Carrot (M)	8	48.66	191,511.06	7,986.42	5,324.28	8,873.80	22,184.51	2	39,982.02
Parsnip	1	3.83	15,615.39	324.11	216.08	360.13	900.31	0	0.00
Potato	7	55.27	104,920.16	2,946.44	1,964.30	3,273.83	8,184.57	1	3,062.56
Turnip	15	121.21	481,269.30	20,396.02	13,597.35	22,662.25	56,655.62	5	34,851.39
Totals	44	288.04	1,069,112.38	44,413.53	29,609.02	49,348.37	123,370.93	14	110,157.60

Mandate:

The mandate of the Newfoundland and Labrador Crop Insurance Agency is to establish and carry out a crop insurance plan under the direction, supervision and control of the Minister of Natural Resources. The Agency shall;

- administer plans of crop insurance established under the *Crop Insurance Act* or the

- regulations,
- fix by order and publish in the Gazette a final date in each year for the receipt of applications for insurance under a plan,
 - conduct surveys and research programs relating to insurance and obtain statistics for the purposes of the Agency,
 - evaluate and determine crop losses and pay claims under a plan,
 - enter into agreements with or retain persons for the soliciting and receiving of applications for insurance, the collecting of premiums and the adjusting of claims under plans for and on behalf of the Agency, and the doing of other things on its behalf that the Agency considers necessary,
 - require an applicant for crop insurance or an insured person to provide the information, statements and reports that the Agency may require,
 - exercise the powers and perform the duties that are conferred or imposed upon it under the *Crop Insurance Act* or another Act,
 - perform the other functions and discharge the other duties that are assigned to it by the Lieutenant-Governor in Council and,
 - make the orders and directions that are necessary to enforce the observance of the *Crop Insurance Act*, the regulations or a plan.

Vision:

Through the AgriInsurance program, the Newfoundland and Labrador Crop Insurance Agency protects investments in crop production. By easing the financial burden in times of crop loss, the AgriInsurance program helps ensure resources are available for future generations and helps ensure prospects for future development. It contributes to the vision of the Department of Natural Resources, stated as follows:

“The vision of the Department of Natural Resources is a province that realizes the full benefit from the sustainable development of its natural resources.”

Mission:

Planning guidelines associated with the *Transparency and Accountability Act* encourages small public bodies like the Crop Insurance Agency, to consider the development of mission statements. A mission statement should represent the priority focus area of a public body over two planning cycles (six years) and should be accompanied by measures and indicators that will help evaluate success at the end of the six-year period. The planning guidelines provide the flexibility, however, for small public bodies to determine for themselves whether the development of mission statements adds value to planning efforts.

During the development of its 2011-14 Activity Plan, the Crop Insurance Agency determined that its mandate accurately represents its priority focus and, therefore, a mission statement would be unduly repetitive. As a result, the Agency opted to forgo the development of its own mission statement and, instead, to illustrate its role in supporting the mission of the Forestry and Agrifoods Agency, part of the Department of Natural Resources.

The Forestry and Agrifoods Agency's mission, along with associated measures and indicators, was developed as part of its 2011-14 strategic planning exercise. The mission statement is as follows:

“By March 31, 2017, the Forestry and Agrifoods Agency will have supported programs and services to strengthen and sustain forestry, agriculture and agrifoods industry development in an innovative and economically beneficial manner.”

The Crop Insurance Agency contributes to agricultural and agrifoods resource development by administering the AgriInsurance program, thereby helping protect vegetable farmers from financial losses. In this manner it provides general support to the Forestry and Agrifoods Agency's mission. The Crop Insurance Agency has no material impact on achievement of specific measures and indicators associated with the mission and, as such, no specific results are included in this report.

To view the complete mission of the Forestry and Agrifoods Agency, refer to its 2011-14 Strategic Plan which can be found on the Department of Natural Resources' website at www.gov.nl.ca/nr.

Lines of Business

The sole line of business of the Newfoundland and Labrador Crop Insurance Agency is the delivery of AgriInsurance to the vegetable producers of the province.

The AgriInsurance program is voluntary and producers who decide to enroll each year do so by applying before the April 30 deadline. Currently, there are insurance plans in place for potato, turnip, cabbage, carrot (separate plans are available for carrot grown on mineral soil and peat land), parsnip and beet.

The AgriInsurance program is a provincially delivered program to which the federal government contributes. This cost-shared program stabilizes a producer's income by minimizing the economic effects of crop losses caused by natural hazards like hail, frost, snow, wind, drought, excessive moisture, plant disease, insect infestation, wildlife and any other condition beyond the control of the insured person. Ultimately the producer benefits by reducing the risk involved in farming that is shared between the producer, the province and the federal government.

Crop loss protection is available to producers in the form of a production guarantee and is made more affordable and flexible to producers through government contributions. A production guarantee is based on a producer's probable yield based on the individual's previous production history or on a provincial benchmark for those producers with less than a twenty-five year history for an individual crop. If production falls below the guaranteed yield, the producer may be eligible for an indemnity payment.

Producers have the option of insuring their crop at three coverage levels and two price options. The coverage levels are sixty per cent, seventy per cent and eighty per cent. One price option is based on the pre-harvest cost of production value for each crop while the other option is based on the market value of a particular crop. The market value is calculated as seventy per cent of the average market value of the previous five years as determined by Statistics Canada.

Insured producers are guaranteed a specified yield in pounds per acre for each insurable commodity. If harvested production falls below the guaranteed production as determined by the Agency at the beginning of the growing season, the producer is paid for the difference at the price option chosen by the insured.

In order to provide producers with an affordable and effective AgriInsurance program, the Governments of Canada and Newfoundland and Labrador provide financial support under the Canada - Newfoundland and Labrador AgriInsurance Agreement. Under the terms of the Agreement, the Government of Canada provides financial assistance by contributing thirty six per cent of the premiums, and the Government of Newfoundland and Labrador contributes

twenty four per cent of premiums and the producers are responsible for contributing forty per cent of the total premiums.

Outcome of Activities

In its 2011-14 Activity Plan, the administration of the AgriInsurance Program was identified as the key priority of the Agency for the 2011-14 planning period. As identified in the plan, the Agency's work is in line with the overall strategic directions of government.

Through the administration of the AgriInsurance Program, the Agency's activities during 2013-14 directly supported primary agriculture production, thus supporting government's broader strategic direction toward agriculture and agrifoods innovation, promotion and development. Activities also contributed to overall agrifoods resource management and provided direct support to industry to help strengthen competitiveness, both factors which support the strategic direction toward agriculture and agrifoods resource sustainability.

The Agency's 2011-14 Activity plan can be found on the Publications section of the Department of Natural Resources website at www.nr.gov.nl.ca.

Issue 1: Management and Administration of the AgriInsurance Program

The primary issue of the Newfoundland and Labrador Crop Insurance Agency is to deliver the AgriInsurance plan to the vegetable producers of Newfoundland and Labrador who choose to participate and to assess the feasibility of offering new insurance plans upon request by industry.

Objective: By March 31, 2014 the Newfoundland and Labrador Crop Insurance Agency will have continued to offer an insurance plan to vegetable producers and assessed the feasibility of covering additional products, as required.

Measure: Offered insurance plan and assessed feasibility of new products, as required

Indicators:

- **Registered applications for Crop Insurance**

The Crop Insurance Agency sent applications to all vegetable producers by March 31, 2013. Nineteen producers returned a completed application by April 30, 2013. Upon receipt of these applications, the prospective participants were entered into

the Crop Insurance Agency's databank.

- **Issued contracts**

A contract with the Crop Insurance Agency was completed for each of the 19 applicants. The signed contract was placed in the participant's file. The contract spelled out, in detail, the terms and conditions of the program, the responsibilities of both the participant and the Crop Insurance Agency, the crops and perils covered and planting deadlines, harvesting deadlines, price options and coverage levels. The contract also included the methodology for determining the premium to be paid by the participant and the deadline for paying the premium.

- **Insured fields measured and inspected**

Agricultural Inspectors measured all insured fields with Global Positioning System units to determine the precise size of each insured field and test dig markers were placed. At the same time each field was inspected to ensure the participant was following generally accepted practices of seedbed preparation and seeding/planting techniques. A total of 288 acres was insured in 2013-14.

- **Test dig and yield calculations completed**

During the harvest season, the Agricultural Inspectors harvested the test digs in each field. By weighing the test dig results and using these results, the Inspectors calculated the marketable yield for each crop insured. These yield calculations were completed for each crop and each participant. The yield calculations were then compared to the guaranteed yield calculated for each participant to determine whether or not the insured producer was in a claim position.

- **Reviewed all claims**

During the 2012-13 fiscal year 23 participants made a total of 28 claims for crop losses but the annual general meeting of the Board of Directors of the Newfoundland and Labrador Crop Insurance Agency to review and decide on all outstanding claims was deferred until the Board regained quorum. Quorum was established in April 2013 and the outstanding claim decisions from 2012-13 were rendered at that time. At the December 2013 annual general meeting of the Board of Directors of the Newfoundland and Labrador Crop Insurance Agency 14 claims made by producers for crop losses incurred in 2013-14 were reviewed to decide whether or not the claims were valid.

- **Decisions communicated to applicants and indemnities paid**

The outstanding 28 claims for 23 participants for the 2012-13 year were submitted, 24 of which were approved and paid in the amount of \$205,355. In 2013-14 nine participants submitted 14 claims of which 10 were approved. Resulting indemnity payments in the amount of \$110,158 were approved and compensated. The Manager of the Crop Insurance Agency communicated the decisions of the Agency to the respective participants. A total of \$301,291 in indemnities was paid by the Agency in 2013-14.

- **Commenced appeal process when requested by producers**
Producers who participate in the program and do not agree with the decisions of the Agency with respect to their claims have the right to appeal. The participants are given two weeks to file a notice of intent to appeal followed by appointing an arbitrator agreeable to both parties. One appeal was submitted related to the 2012 crop year. The arbitration process was followed and a payment of \$14,222 was awarded to the appellant. Three appeals were submitted related to the 2013 crop year; the appeal process was ongoing as of March 31, 2014.
- **Assessed feasibility of covering new crop products, upon request, and carried out development work on insurance plans for new crops approved.**
This fiscal year was the second year of the three year pilot program for blueberry insurance approved by Agriculture and Agri-Food Canada and introduced in 2013. The program is similar to the existing vegetable plans, utilizing test plots for harvest data and applying the same premium proportions of 36:24:40 federal, provincial and producer respectively. Coverage was offered at 60% of cost of production for the duration of the pilot program. The program will continue to be assessed over the three year term. There has been no uptake to date for the blueberry insurance coverage.

Opportunities and Challenges

The challenges that continue to affect the AgriInsurance program include the communicating yield assessment methodology which is often questioned by producers, retaining well trained staff, increasing producer participation, and covering large geographical regions within the province where producers are widely spread out.

Also the ongoing research and development of programs to cover important but previously uninsurable crops is a key opportunity for future development of the AgriInsurance program.

Appendix A

2013-14 Premium Base Rates

	Beet	Cabbage	Carrot (M)	Carrot (P)	Parsnip	Potato	Turnip
60%	0.2689	0.1245	0.1952	0.2360	0.0798	0.0993	0.1580
70%	0.2894	0.1580	0.2352	0.2556	0.1707	0.1527	0.2120
80%	0.3116	0.1934	0.2710	0.2872	0.2514	0.2117	0.2643

**NEWFOUNDLAND AND LABRADOR
CROP INSURANCE AGENCY**

**NEWFOUNDLAND AND LABRADOR
CROP INSURANCE FUND**

FINANCIAL STATEMENTS

MARCH 31, 2014

Management's Report

Management's Responsibility for the Newfoundland and Labrador Crop Insurance Agency, Newfoundland and Labrador Crop Insurance Fund Financial Statements

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that transactions are properly authorized, assets are safeguarded and liabilities are recognized.

Management is also responsible for ensuring that transactions comply with relevant policies and authorities and are properly recorded to produce timely and reliable financial information.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Board. The Board reviews internal financial information periodically and external audited financial statements yearly.

The Auditor General conducts an independent audit of the annual financial statements of the Agency in accordance with Canadian generally accepted auditing standards, in order to express an opinion thereon. The Auditor General has full and free access to financial management of the Newfoundland and Labrador Crop Insurance Agency.

On behalf of the Newfoundland and Labrador Crop Insurance Agency.



Ms. Cynthia MacDonald, P.Ag.
Director of Agriculture Business Development

June 11, 2014



**AUDITOR
GENERAL**
of Newfoundland and Labrador

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Newfoundland and Labrador Crop Insurance Agency
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Newfoundland and Labrador Crop Insurance Agency, Newfoundland and Labrador Crop Insurance Fund, which comprise the statement of financial position as at March 31, 2014, the statement of operations 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 entity'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 entity'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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independent Auditor's Report (cont.)

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Newfoundland and Labrador Crop Insurance Agency, Newfoundland and Labrador Crop Insurance Fund as at March 31, 2014, and its financial performance for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink, appearing to read 'T. Paddon', with a long horizontal line extending to the right.

TERRY PADDON, CA
Auditor General

June 11, 2014
St. John's, Newfoundland and Labrador

**NEWFOUNDLAND AND LABRADOR CROP INSURANCE AGENCY
 NEWFOUNDLAND AND LABRADOR CROP INSURANCE FUND
 STATEMENT OF FINANCIAL POSITION**
 As at March 31

2014

2013

FINANCIAL ASSETS

Cash	\$ 108,790	\$ 278,537
Accounts receivable (Note 5)	4,048	3,835
	112,838	282,372

LIABILITIES

Accounts payable and accrued liabilities (Note 6)	2,000	185,547
	2,000	185,547

Net financial assets	110,838	96,825
-----------------------------	----------------	--------

NON-FINANCIAL ASSETS

Accumulated surplus	\$ 110,838	\$ 96,825
----------------------------	-------------------	-----------

The accompanying notes are an integral part of these financial statements

Signed on behalf of the Board:

C. MacDonald

Chairperson

Ronald Weeks

Member

NEWFOUNDLAND AND LABRADOR CROP INSURANCE AGENCY
NEWFOUNDLAND AND LABRADOR CROP INSURANCE FUND
STATEMENT OF OPERATIONS
For the Year Ended 31 March

	2014 Budget	2014 Actual	2013 Actual
(Note 9)			
REVENUES			
Government of Canada (Note 7)	\$ 258,946	\$ 240,213	\$ 274,152
Province of Newfoundland and Labrador (Note 7)	172,631	160,142	182,768
Premiums from insured persons	79,570	49,348	68,073
Late payment fees	-	400	800
Appeal administration fee	-	400	-
	511,147	450,503	525,793
EXPENSES (Note 8)			
Production Insurance Program	150,000	110,158	205,812
Administration (Note 4)	312,222	326,332	354,810
	462,222	436,490	560,622
Annual surplus (deficit)	48,925	14,013	(34,829)
Accumulated surplus, beginning of year	96,825	96,825	131,654
Accumulated surplus, end of year	\$ 145,750	\$ 110,838	\$ 96,825

*The accompanying notes are an integral part
of these financial statements*

NEWFOUNDLAND AND LABRADOR CROP INSURANCE AGENCY
NEWFOUNDLAND AND LABRADOR CROP INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS
March 31, 2014

1. Nature of operations

The Newfoundland and Labrador Crop Insurance Agency (the Agency) operates under the authority of the *Crop Insurance Act*. The purpose of the Agency is to operate the Newfoundland and Labrador Crop Insurance Fund to provide insurance to farmers of the Province to restrict the amount of financial loss due to crop failure. Its affairs are managed by a Board of Directors appointed by the Lieutenant-Governor in Council. These statements are a representation of the activities of the Newfoundland and Labrador Crop Insurance Fund.

The Board is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

2. Summary of significant accounting policies

(a) Basis of accounting

The Agency is classified as an Other Government Organization as defined by the Canadian public sector accounting standards (CPSAS). These financial statements are prepared by management in accordance with CPSAS for provincial reporting entities established by the Canadian Public Sector Accounting Board. The Agency does not prepare a statement of change in net financial assets and a statement of cash flows as this information is readily apparent from the other statements. In addition, the Agency does not prepare a statement of re-measurement gains and losses as the Agency does not enter into relevant transactions or circumstances that are being addressed by the statement.

(b) Financial instruments

The Agency's financial instruments recognized in the statement of financial position consist of cash, accounts receivable, and accounts payable and accrued liabilities. The Agency generally recognizes a financial instrument when it enters into a contract which creates a financial asset or financial liability. Financial assets and financial liabilities are initially measured at cost, which is the fair value at the time of acquisition.

The Agency subsequently measures all of its financial assets and financial liabilities at cost or amortized cost. Financial assets measured at cost include cash. Financial assets measured at amortized cost include accounts receivable. Financial liabilities measured at cost include accounts payable and accrued liabilities.

The carrying values of cash, accounts receivable and accounts payable and accrued liabilities approximate current fair value due to their nature and/or the short-term maturity associated with these instruments.

(c) Cash

Cash includes cash in bank.

NEWFOUNDLAND AND LABRADOR CROP INSURANCE AGENCY
NEWFOUNDLAND AND LABRADOR CROP INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS
March 31, 2014

2. Significant accounting policies (cont.)

(d) Revenue recognition

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Government transfers (Province of Newfoundland and Labrador premium contributions and Government of Canada premium contributions) are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except when and to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulations giving rise to the liabilities are settled.

(e) Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is expensed.

Indemnity claims are reported on an accrual basis. Indemnity claims are paid to insured persons upon approval by the Board of Directors of submitted insurance claims.

The Agency is administered as a division of the Department of Natural Resources. Expenses related to salaries and administration costs are paid directly by the Department and are reflected in these financial statements as expenses of the Agency and as revenue from the Province.

The Province and the Government of Canada have entered into a cost-shared agreement in which administration expenses are funded 60% by the Federal Government and 40% by the Province.

NEWFOUNDLAND AND LABRADOR CROP INSURANCE AGENCY
NEWFOUNDLAND AND LABRADOR CROP INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS
March 31, 2014

3. Financial risk management

The Agency recognizes the importance of managing risks and this includes policies, procedures and oversight designed to reduce risks identified to an appropriate threshold. The Agency is exposed to credit risk and liquidity risk through its financial instruments. The Agency is not exposed to market risk. There was no significant change in the Agency's exposure to these risks or its processes for managing these risks from the prior year.

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 Agency's main credit risk relates to cash and accounts receivable. The Agency's maximum exposure to credit risk is the carrying amounts of these financial instruments. The Agency is not exposed to significant credit risk with its cash because these financial instruments are held with a Chartered Bank. The Agency is not exposed to significant credit risk related to its accounts receivable as it has policies and procedures for the monitoring and collection of its accounts receivable so as to mitigate potential credit losses. Any estimated impairment of these accounts receivable has been provided for through a provision for doubtful accounts as disclosed in Note 5.

Liquidity risk

Liquidity risk is the risk that the Agency will be unable to meet its contractual obligations and financial liabilities as they come due. The liquidity risk related to accounts payable and accrued liabilities is considered to be low. The Agency manages liquidity risk by monitoring its cash flows and ensuring that it has sufficient resources available to meet its contractual obligations and financial liabilities.

4. Related party transactions

The Agency is administered by employees of the Department of Natural Resources. Salaries and other costs of \$326,332 (2013 - \$354,810) applicable to the operation of the Agency have been paid or are payable by the Department and are reflected in these financial statements as expenses of the Agency and as revenue in the form of payments made by the Province. The Province recovered \$195,799 (2013 - \$212,886) of these administration expenses from the Government of Canada under the Canada-Newfoundland and Labrador AgriInsurance Program funded under the Growing Forward 2 Framework Agreement.

NEWFOUNDLAND AND LABRADOR CROP INSURANCE AGENCY
NEWFOUNDLAND AND LABRADOR CROP INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS
March 31, 2014

5. Accounts receivable

	<u>2014</u>	<u>2013</u>
Province of Newfoundland and Labrador	\$ 2,052	\$ 1,839
Premiums from insured persons	4,136	4,136
	6,188	5,975
Less: provision for doubtful accounts	2,140	2,140
	\$ 4,048	\$ 3,835

6. Accounts payable and accrued liabilities

	<u>2014</u>	<u>2013</u>
Indemnity claims payable to insured persons	\$ -	\$ 183,747
Province of Newfoundland and Labrador	2,000	1,800
	\$ 2,000	\$ 185,547

7. Premium contributions and administrative expenses

	<u>2014</u>	<u>2013</u>
Government of Canada		
Premium contributions	\$ 44,414	\$ 61,266
Payments for administration	195,799	212,886
	\$ 240,213	\$ 274,152
Province of Newfoundland and Labrador		
Premium contributions	\$ 29,609	\$ 40,844
Payments for administration	130,533	141,924
	\$ 160,142	\$ 182,768

NEWFOUNDLAND AND LABRADOR CROP INSURANCE AGENCY
NEWFOUNDLAND AND LABRADOR CROP INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS
March 31, 2014

8. Expenses by object

The following is a summary of expenses by object:

	<u>2014</u>	<u>2013</u>
Bad debt expense	\$ -	\$ 457
Bank charges	13	10
Board expenses	4,389	-
Equipment supplies	-	717
Indemnity claims	110,158	205,355
Professional services	4,864	64,960
Purchased services	8,712	1,305
Salaries and employee benefits	262,173	250,692
Supplies	22,035	18,491
Transportation and Communication	24,146	18,635
	\$ 436,490	\$ 560,622

9. Budgeted figures

Budgeted figures, which have been prepared on a cash basis, are provided for comparison purposes and have been approved by the Board of Directors.