



Chicken Farmers of Newfoundland and Labrador

Annual Performance Report

Fiscal Year 2019



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Message from the Chair 2019

It is my duty and pleasure, on behalf of the Board of Directors to present the Annual Performance Report of the Chicken Farmers of Newfoundland and Labrador (CFNL) for the fiscal year ended December 31, 2019. The CFNL is a non-profit public body with a mandate to promote, regulate and control the production and marketing of chicken by producers and processors. I am encouraged by the continued growth of the chicken sector and the board will continue to build public trust as it is the foundation of creating a sustainable chicken industry. The board seizes every opportunity to promote a strong, united industry value chain.

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 2019 on the objectives identified by the CFNL 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, Forestry and Agriculture (formerly known as 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 \$0.0161 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 \$0.0055 cents/kilogram. This is a total of \$0.0161 cents/kilogram for every kilogram of live weight chicken processed.

	2019	2018
Revenues	\$ 363,708.00	\$ 355,493.00
Expenditures	<u>\$ 322,289.00</u>	<u>\$ 312,768.00</u>
Surplus	\$ 41,419.00	\$ 42,725.00

Board Members:

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	Full-Time	

Contact Information:

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

Chicken Farmers of Newfoundland and Labrador

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St. John's, NL

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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, Forestry and Agriculture, 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 minister1s 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 CFNL acts as a facilitator with regards to food safety and animal care and conducts food safety and animal care audits of each program to determine compliance. Research and development is also facilitated through participation in projects and research trials.

Mandate

CFNL operates under the authority of the Minister of Fisheries, Forestry and Agriculture 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 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.

Indicator:

- Disseminated emergency preparedness plan to stakeholders

Disseminated emergency preparedness plan to stakeholders:

In 2019, CFNL successfully disseminated the emergency preparedness plan to stakeholders. During February and March 2019, paper copies of the emergency preparedness plan were distributed by hand to each producer and members of the emergency management team. All edits and revisions to the plan that may be required going forward will be made available electronically and distributed to producers and members in that format. Stakeholders have the responsibility to keep the emergency preparedness plan current by inserting electronic revisions issued by the board into the existing document when/if amendments occur. Additionally, an electronic version of the emergency preparedness report is available for stakeholders that prefer that platform.

On April 23, 2019 a presentation regarding the emergency preparedness plan was delivered to nineteen stakeholders at the CFNL annual general meeting. The presentation covered the roles and responsibilities of the emergency management team, a timeline for updating the plan and the resources that are currently available for emergency activities. The CFNL office has a current paper and electronic copy of the emergency preparedness plan for immediate access if an emergency should arise. This newly developed emergency preparedness plan situates the poultry industry in good standing for emergency situations that may occur.

Issue Two: Education and Training

The CFNL 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 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

Coordinated commodity specific training for industry personnel and board members:

In 2019, CFNL coordinated commodity specific training for industry personnel and board members to educate them on the amendments to the mandatory Animal Care program. On January 9, 2019 a training session was held to provide five participants with information regarding the requirements of the program and how to record that the requirements were complied with. The training session was delivered by the coach of the Animal Care program, Mrs. Carol Anne Walsh. The coach is a person trained in the program requirements and is authorized to provide training regarding implementation of the program. Participants were provided with an opportunity to ask questions and demonstrate their understanding of the amendments to the program.

A commodity specific media training session was organized for the CFNL directors on March 14, 2019. All 5 directors and 1 staff attended the session which was designed to provide techniques for effective and productive media interview skills. A firm with commodity specific expertise regarding the poultry industry and media training was secured to provide the training. Camera interviews were conducted and recorded in order to provide analysis of the person being interviewed. Feedback was provided once the interview was concluded to indicate areas of improvement and what was done well. Immediate feedback provided the participants with the opportunity to make adjustments in their messaging and delivery method. Subsequent interviews permitted the opportunity for the participants to improve messaging and presentation. Improvement of communication skills for directors and staff with respect to matters related to the poultry industry provides clarity and diminishes the opportunity for misinformation being disseminated.

Hosted education and training sessions for producers and board members:

In 2019, CFNL hosted education and training for board members regarding the **Access to Information and Protection of Privacy Act** (the **Act**). The CFNL board was reconstituted in September of 2018 and the new members of the board required understanding of the obligations regarding the **Act**. The **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 January 16, 2019 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. CFNL's 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 **Act**.

An education and training session was held regarding information management on August 28, 2019. All 5 CFNL directors and 1 staff attended the session. The session was delivered by Fisheries, Forestry and Agriculture staff and covered areas such as: retention and disposal of information, safeguarding information, personal versus business information and methods of storage of information. Establishment of an efficient record management system is essential for proper maintenance of records and permits timely retrieval of records when necessary. Identification of the records that an organization possesses is crucial to developing any information management system. CFNL has established a robust information management system based on the information that was provided at the training session.

An education and training session was held on November 27, 2019 for twenty-one stakeholders, producers and directors regarding poultry health and disease prevention. Dr. Kayla Price provided expert knowledge and training regarding poultry health and why it is important in preventing disease. Factors that affect poultry health and approaches to managing poultry health were thoroughly explained and demonstrated. Management techniques and nutritional strategies were discussed that improve feed efficiency and animal health. Training sessions such as this one provide producers with opportunities to identify issues that may present difficulties on their farm, while also providing possible solutions to overcome challenges that may arise. Understanding what poultry health is and why it is important provides the producer with exactly what it is they are up against when it pertains to disease prevalence and prevention.

Summary

In the 2019 Activity Plan, CFNL identified two issues for the three-year period from 2017 to 2019: emergency preparedness and education and training. Over this three-year period CFNL completed consultations with industry, evaluated the emergency response plan that had been developed in 2006 and developed an approach to enhance the plan. As one of the core lines of business CFNL facilitated food safety and animal care education and training and conducted food safety and animal care audits of each program to determine compliance. This fulfills the commitment to carry out education and training of the board members and industry personnel.

Challenges and Opportunities

Challenges: A goal of eliminating preventative use of Category III antimicrobials by the end of 2020 is planned. A reassessment of this goal is underway. Chickens have a sensitive immune system and react accordingly to various factors such as; nutrition and management adjustments. Each farm will have to re-evaluate production practices and determine what works best for their operation.

Opportunities: CFNL has the inclination and resources that can be utilized to assist the industry with moving towards stated goals. Collaborative opportunities through research or partnerships may exist throughout the value chain and CFNL will explore those opportunities as they become available.

CFNL recognizes that challenges and opportunities will continue to emerge regarding the chicken industry and that a transition period may be required to reach positive outcomes. CFNL will endeavor to provide the tools and resources to overcome any challenges that may develop. The board is committed to promoting a sustainable chicken industry through the activities outlined in its mandate.

Appendix A: Audited Financial Statements



Financial Statements

Chicken Farmers of Newfoundland and Labrador

December 31, 2019

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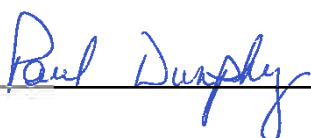
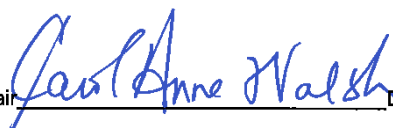
Statement of Responsibility

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

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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, 2019, 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, 2019, 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.



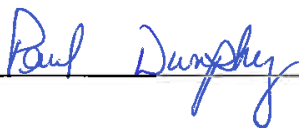
St. John's, Canada
February 20, 2020

Chartered Professional Accountants

Chicken Farmers of Newfoundland and Labrador Statement of Financial Position

December 31	2019	2018
Financial assets		
Cash and cash equivalents	\$ 245,240	\$ 185,794
Receivables (Note 5)	30,715	38,659
Investments	<u>43,963</u>	<u>43,283</u>
	<u>319,918</u>	<u>267,736</u>
Liabilities		
Payables and accruals	30,662	23,730
Accrued severance pay	<u>17,651</u>	<u>16,181</u>
	<u>48,313</u>	<u>39,911</u>
Net financial assets	<u>271,605</u>	<u>227,825</u>
Non-financial assets		
Prepaid expenses	2,224	2,994
Tangible capital assets (Note 6)	<u>2,635</u>	<u>4,226</u>
	<u>4,859</u>	<u>7,220</u>
Accumulated surplus	<u>\$ 276,464</u>	<u>\$ 235,045</u>

On behalf of the Board



Chair



Director

See accompanying notes to the financial statements.

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

Year Ended December 31	Actual 2019	Budget 2019	Actual 2018
Revenue			
Levies	\$ 363,028	\$ 318,000	\$ 354,119
Interest and miscellaneous	<u>680</u>	<u>548</u>	<u>1,374</u>
	<u>363,708</u>	<u>318,548</u>	<u>355,493</u>
Expenses (Page 12)			
Administration	98,310	108,901	99,602
Regulatory	170,678	154,429	163,488
Promotion	29,416	29,422	28,434
Facilitation	<u>23,885</u>	<u>23,896</u>	<u>21,244</u>
	<u>322,289</u>	<u>316,648</u>	<u>312,768</u>
Annual surplus	<u>\$ 41,419</u>	<u>\$ 1,900</u>	<u>\$ 42,725</u>
Accumulated surplus, beginning of year	\$ 235,045	\$ 235,045	\$ 192,320
Annual surplus	<u>41,419</u>	<u>1,900</u>	<u>(42,725)</u>
Accumulated surplus, end of year	<u>\$ 276,464</u>	<u>\$ 236,945</u>	<u>\$ 235,045</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 2019	Budget 2019	Actual 2018
Annual surplus	\$ 41,419	\$ 1,900	\$ 42,725
Amortization of tangible capital assets	1,591	1,600	1,057
Decrease (increase) in prepaid expenses	<u>770</u>	<u>-</u>	<u>(828)</u>
Increase in net assets	43,780	3,500	42,954
Net financial assets, beginning of year	<u>227,825</u>	<u>227,825</u>	<u>184,871</u>
Net financial assets, end of year	<u>\$ 271,605</u>	<u>\$ 231,325</u>	<u>\$ 227,825</u>

See accompanying notes to the financial statements.

Chicken Farmers of Newfoundland and Labrador Statement of Cash Flows

Year Ended December 31

2019

2018

Increase in cash and cash equivalents

Operating

Annual surplus	\$ 41,419	\$ 42,725
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Change in non-cash items

Accrued severance pay	1,471	1,471
Amortization	1,591	1,057
Receivables	7,944	(24,970)
Prepaid expenses	770	(828)
Payables and accruals	6,931	1,823

Cash provided by operating transactions	60,126	21,278
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Investing

Increase in investments	(680)	(352)
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Increase in cash and cash equivalents	59,446	20,926
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Cash and cash equivalents, beginning of year	185,794	164,868
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Cash and cash equivalents, end of year	\$ 245,240	\$ 185,794
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See accompanying notes to the financial statements.

Chicken Farmers of Newfoundland and Labrador Notes to the Financial Statements

December 31, 2019

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 \$122,708 of levies collected in 2019 (2018 - \$118,040).

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, 2019

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

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks, and short term investments with maturities of three months or less. Bank borrowings are considered to be financing activities.

Investments

Non-redeemable guaranteed investment certificates are classified as investments. Interest related to these investments is accrued as earned. The carrying value of these investments approximates their fair value.

Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives generally extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the change in net financial assets for the year.

Tangible capital assets

Tangible capital assets are recorded at cost. Depreciation is provided annually at rates calculated to write off the assets over their estimated useful life as follows, except in the year of acquisition when one half of the rate is used.

Furniture and equipment	20%, declining balance
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Accrued severance pay

Severance pay will be awarded at the rate of one week of salary per year of service to a maximum of 20 weeks and is calculated based upon current salary levels. The amount is payable when the employee ceases employment with the Board.

Financial instruments

The Board considers any contract creating a financial asset, liability or equity instrument as a financial instrument, except in certain limited circumstances. The Board accounts for the following as financial instruments:

- cash and cash equivalents;
- receivables;
- investments; and
- accounts payable

A financial asset or liability is recognized when the Board becomes party to contractual provisions of the instrument.

Chicken Farmers of Newfoundland and Labrador Notes to the Financial Statements

December 31, 2019

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

The Board initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The Board subsequently measures its financial assets and financial liabilities at cost or amortized cost, except for derivatives and equity securities quoted in an active market, which are subsequently measured at fair value. Changes in fair value are recognized in annual surplus.

Financial assets measured at cost include cash and cash equivalents and receivables. Financial assets measured at fair value include investments. Financial liabilities measured at cost include accounts payable.

The Board removes financial liabilities, or a portion of, when the obligation is discharged, cancelled or expires.

Financial assets measured at cost are tested for impairment when there are indicators of impairment. Previously recognized impairment losses are reversed to the extent of the improvement provided the asset is not carried at an amount, at the date of the reversal, greater than the amount that would have been the carrying amount had no impairment loss been recognized previously. The amounts of any write-downs or reversals are recognized in net annual surplus.

4. Operating agreement

The Chicken Farmers of Newfoundland and Labrador has entered into an agreement with the other provincial boards known as the Operating Agreement. This agreement provides for levy assessment should a province over produce its allocation from CFC.

As part of this agreement, the Chicken Farmers of Newfoundland and Labrador has filed a letter of credit to CFC in respect of any possible over marketing levies assessed. The letter of credit as at December 31, 2019 was \$28,658 (2018 - \$28,658).

5. Receivables	<u>2019</u>	<u>2018</u>
Levies	\$ 28,704	\$ 38,049
Travel advances	<u>2,011</u>	<u>610</u>
	<u>\$ 30,715</u>	<u>\$ 38,659</u>

Chicken Farmers of Newfoundland and Labrador Notes to the Financial Statements

December 31, 2019

6. Tangible capital assets			<u>2019</u>	<u>2018</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Furniture and equipment	\$ 41,954	\$ 39,319	\$ 2,635	\$ 4,226

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, 2019.

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 \$30,715 (2018 - \$38,659). 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 \$30,662 (2018 - \$23,730). 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% (2018 – 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	2019	2018
Administration		
Amortization	\$ 1,591	\$ 1,057
Federation of Agriculture	12,000	12,000
Honorariums	12,000	13,000
Insurance	1,654	1,630
Interest and bank charges	738	737
Office and postage	3,716	3,856
Per diems	6,650	7,325
Professional fees	17,545	18,612
Rent	3,167	3,167
Telephone	1,661	3,283
Travel and meetings	6,845	4,369
Wages and benefits	<u>30,743</u>	<u>30,566</u>
	\$ 98,310	\$ 99,602
Regulation		
Levy – CFC	\$ 122,708	\$ 118,040
Office and postage	308	63
Professional fees	8,500	10,389
Travel and meetings	7,459	3,475
Wages and benefits	<u>31,703</u>	<u>31,521</u>
	\$ 170,678	\$ 163,488
Promotion		
Donations	\$ 5,704	\$ 1,500
Office and postage	140	29
Professional fees	215	-
Promotion	5,796	10,999
Travel and meetings	3,151	1,578
Wages and benefits	<u>14,410</u>	<u>14,328</u>
	\$ 29,416	\$ 28,434
Facilitation		
Office and postage	\$ 187	\$ 38
Professional fees	286	-
Travel and meetings	4,198	2,103
Wages and benefits	<u>19,214</u>	<u>19,103</u>
	\$ 23,885	\$ 21,244
Total expenses	\$ <u>322,289</u>	\$ <u>312,768</u>