

# Chicken Farmers of Newfoundland and Labrador

Annual Performance Report 2022



## Message from the Chair

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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 (the CFNL) for the fiscal year ending December 31, 2022. 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.

During fiscal 2022, revenues increased due to increased chicken production and access to project funding programs and expenditures increased during the same period as a result of increased operational costs related to project activities. For further details, please refer to the audited financial statements, which are attached as Annex A.

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 2022 on the objective identified by the CFNL in its 2020-2022 Activity Plan.

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

Yours Sincerely,



Chairperson  
CFNL

# Table of Contents

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Overview .....	1
Mandate.....	1
Board Members .....	2
Vision.....	2
Lines of Business .....	2
Contact Information .....	3
Highlights and Partnerships .....	3
Report on Performance .....	3
Issue: Best Management Practices Regarding Chicken Production.....	3
Opportunities and Challenges .....	5
Annex A: Audited Financial Statements .....	6

# Overview

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The 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** (the Act). The purpose and intent of the 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 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 (FFA). The CFNL is supported by one permanent full-time employee and the office is located in St. John's. The CFNL reports to the Farm Industry Review Board (FIRB), which is the supervisory Board. The CFNL is self-funded; all chicken producers are required to pay a service charge of \$0.0163 per kilogram (live weight), plus HST, to the CFNL who uses the proceeds of this service charge to fund its expenditures. Further information on revenues and expenditures can be found in Appendix A: Audited Financial Statements.

The levy price per kilogram (live weight) paid to the CFNL from the producer is set by the CFNL. The levy is comprised of a Provincial levy of \$0.0106 cents per kilogram and a Chicken Farmers of Canada levy of \$0.0057 cents per kilogram. This is a total of \$0.0163 cents per kilogram for every kilogram of live weight chicken processed.

	<b>2022</b>	<b>2021</b>
<b>Revenues</b>	\$ 705,965	\$ 372,332
<b>Expenditures</b>	\$ 383,743	\$ 306,750
<b>Surplus</b>	\$ 322,222	\$ 65,582

## Mandate:

The CFNL operates under the authority of the Minister of FFA in accordance with the Scheme under the Act. The commodity board promotes, regulates and controls 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.

## Board Members:

As of December 31, 2022, the members of the CFNL included the following:

Name	Position	Community	Appointment Date	Expiry Date
Vacant <sup>1</sup>	Chairperson			
Vacant <sup>2</sup>	Vice-Chairperson			
Ruth Noseworthy	Director	Paradise	6/8/2021	6/8/2024
Darryl Legge	Director	Holyrood	6/8/2021	6/8/2024

<sup>1</sup> Position being advertised through the Public Service Commission.

<sup>2</sup> Position was filled on February 10, 2023.

## Vision:

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

## Lines of Business:

The CFNL provides the following lines of business:

- Regulatory Role:** The CFNL regulates the production of chicken through a production licence. This licence permits the holder to produce, or to have produced by a contract grower, chicken to the extent of the production quota shown on that licence in accordance with the **Scheme** and any orders or regulations made with respect to the production and marketing of chicken by the Minister of FFA or the CFNL and the terms and conditions of a production licence imposed by the CFNL upon a producer.
- Signatory Role:** The Minister of FFA, FIRB and the CFNL are the Newfoundland and Labrador signatories to the Federal-Provincial Agreement for Chicken with the Federal Minister of Agriculture and Agri-foods Canada, other provincial and territorial ministers and supervisory and chicken supply managed boards across Canada.
- Promotion Role:** The 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. 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.

### **Contact Information:**

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

Ron Walsh, Executive Director  
Chicken Farmers of Newfoundland and Labrador  
P.O. Box 8098  
St. John's, NL A1B 3M9  
Phone: 709-747-1493  
Fax: 709-747-0544  
Email: [rwalsh@nlchicken.com](mailto:rwalsh@nlchicken.com)

Physical location: 204 Brookfield Road, Agriculture Canada Building 6, St. John's, NL.

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

## **Highlights and Partnerships**

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On February 22, 2022, the CFNL partnered with Agriculture in the Classroom Newfoundland and Labrador, which delivers agriculture education to students and sponsored an event at a school in St. John's. Students in kindergarten to grade six received information regarding Canada's Agriculture Day, which is a day dedicated to celebrating agriculture and the people in the industry. The days' activities were designed to provide agricultural learning experiences for students. The event provided students with an opportunity to meet farmers, industry leaders and ask questions regarding agriculture. These events help increase the profile of agriculture and raise awareness of the agriculture industry among Canadians.

## **Report on Performance**

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### **Issue: Best Management Practices Regarding Chicken Production**

The Newfoundland and Labrador chicken industry provides a significant contribution to the Newfoundland and Labrador economy through the provision of food products and employment. Best management practices that enhance the operation of farms and ensure

sustainability results in providing a strong stable industry with uninterrupted food production.

**Objective 2022:**

By December 31, 2022, Chicken Farmers of Newfoundland and Labrador will have advanced initiatives related to best management practices for poultry production of the provincial chicken industry.

**Indicator 1:** Coordinated education and training sessions from industry experts to farmers regarding best management practices for poultry production.

In 2022, the CFNL successfully held a virtual education session for producers regarding biosecurity. On February 22, 2022, a total of 17 producers and industry representatives were educated on practices and procedures to implement a strong biosecurity program. A biosecurity program limits the opportunity for pathogens to gain entry to farms and protects livestock from disease outbreaks. A biosecurity specialist covered topics such as insect and rodent control, personal protective equipment, cleaning and disinfection procedures, waterline cleaning, appropriate detergents and cleaners, vehicle cleaning and the viruses that pose a risk to the industry. This session provided participants with an understanding of the measures needed to limit the risk of disease outbreaks.

On April 26, 2022, an education session regarding the use of antimicrobials and antimicrobial resistance was held during the CFNL's annual general meeting. A presentation was made to 20 participants, consisting of farmers and industry partners. A representative from the medical community presented information regarding medicines used to prevent and treat infections in humans, animals and plants. The risks associated with antimicrobial resistance were emphasized. Misuse and overuse can lead to antimicrobial resistance and may cause medications to be ineffective, take longer to treat diseases and can provide microbes an opportunity to mutate and resist antibiotic treatments. The need to coordinate across the various sectors regarding antimicrobial use was promoted to keep the existing medications effective for future treatment of disease. Participants gained a greater understanding regarding the use of antimicrobials and their possible effects on other sectors.

**Indicator 2:** Coordinated on-site farm visits from industry experts regarding best management practices for poultry production.

In 2022, the CFNL was unsuccessful in achieving on-site farm visits from industry experts due to enhanced biosecurity measures that were enacted to prevent the possible transmission of avian influenza. Limiting access to farms is crucial to minimizing disease transmission. Activities that require on-site farm visits are attempted only when it is safe to do so.

**Indicator 3:** Participated in conferences/seminars regarding best management practices for poultry production.

In 2022, the CFNL continued to transition to an online format for conferences and seminars due to the heightened risk of avian influenza disease transmission. On February 28 and March 2, 2022, the Western Poultry Conference, a conference dedicated to poultry matters, was held online. Three members of the Newfoundland and Labrador chicken industry participated in the conference. Issues related to water quality, heating, ventilation, ammonia, chick quality and bedding were covered. Best management practices regarding these matters were reviewed and discussed. The list of presenters included nutritionists, academia, service personnel, farmers and veterinarians with each providing a unique aspect of the various matters affecting poultry production. The session was interactive and provided participants an opportunity for immediate feedback regarding the topics presented.

## **Opportunities and Challenges**

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The CFNL remains committed to being responsive to the opportunities and challenges that arise in the poultry industry. Capturing opportunities for growth and enhancement of the poultry industry while overcoming challenges will result in a sustainable and commercially viable poultry industry.

### **Opportunities:**

The presence of highly pathogenic avian influenza (HPAI) is fostering working relationships with industry partners in an effort to control the spread of the disease. The CFNL will continue to work to develop strong partnerships with organizations mandated to protect the poultry industry from disasters and disease.

### **Challenges:**

HPAI continues to occur across Canada. This disease is a real threat to the poultry industry and has significantly impacted farms affected by it. Biosecurity measures on poultry farms have been enhanced and efforts to avoid disease transmission of HPAI to the commercial poultry flock will be encouraged and promoted. Each farm will have to be vigilant regarding biosecurity practices and strictly control access to the farm.

A commitment by farmers of reducing the preventive use of Category III antimicrobials remains strong. Chickens have a sensitive immune system and react accordingly to various factors such as nutrition and management adjustments. Each farm will continue to re-evaluate production practices and determine what works best for their operation. Sharing lessons learned from reduction strategies and collaborating with other sectors of the poultry industry will assist with reducing antimicrobial use.

# **Annex A: Audited Financial Statements**

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**CHICKEN FARMERS OF  
NEWFOUNDLAND AND LABRADOR  
FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

Office of the Auditor General



## **Management's Report**

### **Management's Responsibility for the Chicken Farmers of Newfoundland and Labrador 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 members are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through participation in Board of Director meetings. The Board members review internal financial information periodically and external audited financial statements yearly.

The Auditor General conducts an independent audit of the annual financial statements of Chicken Farmers of Newfoundland and Labrador, 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 Chicken Farmers of Newfoundland and Labrador.

On behalf of the Chicken Farmers of Newfoundland and Labrador.

  
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Ron Walsh  
Executive Director

P.O. Box 8098, St. John's, NL, A1B 3M9  
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OFFICE OF THE AUDITOR GENERAL  
NEWFOUNDLAND AND LABRADOR

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Chicken Farmers of Newfoundland and Labrador  
St. John's, Newfoundland and Labrador

### Opinion

I have audited the financial statements of the Chicken Farmers of Newfoundland and Labrador, which comprise the statement of financial position as at December 31, 2022, and the statement of operations, statement of change in net financial assets, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Chicken Farmers of Newfoundland and Labrador as at December 31, 2022, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Chicken Farmers of Newfoundland and Labrador in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and my auditor's report thereon. The annual report is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I will not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. When I read the annual report, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance.

## Independent Auditor's Report (cont.)

### Other matter

The financial statements of the Chicken Farmers of Newfoundland and Labrador for the year ended December 31, 2021, were audited by another auditor who expressed an unmodified opinion on those statements on February 16, 2022.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Chicken Farmers of Newfoundland and Labrador's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Chicken Farmers of Newfoundland and Labrador's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my 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, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 Chicken Farmers of Newfoundland and Labrador's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

### Independent Auditor's Report (cont.)

- 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 Chicken Farmers of Newfoundland and Labrador's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Chicken Farmers of Newfoundland and Labrador 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.

I 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 I identify during my audit.



**DENISE HANRAHAN, CPA, CMA, MBA, ICD.D**  
**Auditor General**

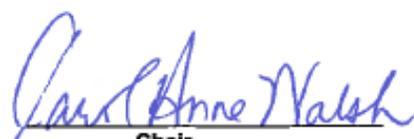
March 15, 2023  
St. John's, Newfoundland and Labrador

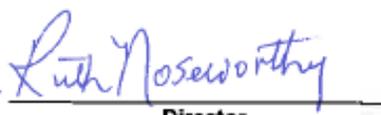
**CHICKEN FARMERS OF NEWFOUNDLAND AND LABRADOR**  
**STATEMENT OF FINANCIAL POSITION**  
**As at December 31**

	2022	2021
		Restated (Note 12)
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents	\$ 113,142	\$ 376,851
Receivables (Note 4)	285,370	15,866
Investments	30,670	30,434
	<u>429,182</u>	<u>423,151</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	18,458	21,488
Accrued severance pay	23,408	21,211
	<u>41,866</u>	<u>42,699</u>
<b>Net financial assets</b>	<b>387,316</b>	<b>380,452</b>
<b>NON-FINANCIAL ASSETS</b>		
Prepaid expenses	3,023	2,885
Tangible capital assets (Note 5)	320,252	5,032
	<u>323,275</u>	<u>7,917</u>
<b>Accumulated surplus (Note 11)</b>	<b>\$ 710,591</b>	<b>\$ 388,369</b>

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

Signed on behalf of the Board:

  
 Chair

  
 Director

Office of the Auditor General

**CHICKEN FARMERS OF NEWFOUNDLAND AND LABRADOR**  
**STATEMENT OF OPERATIONS**  
For the Year Ended December 31

	<b>2022 Budget</b>	<b>2022 Actual</b>	<b>2021 Actual</b>
	(Note 8)		Restated (Note 12)
<b>REVENUES</b>			
Levies	\$ 350,450	\$ 380,870	\$ 371,588
Province of Newfoundland and Labrador (Note 9)	-	324,756	-
Interest and miscellaneous	500	339	746
	<b>350,950</b>	<b>705,965</b>	<b>372,332</b>
<b>EXPENSES (Note 13)</b>			
Administration	93,243	107,389	91,045
Regulatory	184,882	202,395	169,483
Promotion	28,333	32,983	23,650
Facilitation	37,777	40,976	22,572
	<b>344,235</b>	<b>383,743</b>	<b>306,750</b>
<b>Annual surplus</b>	<b>6,715</b>	<b>322,222</b>	<b>65,582</b>
<b>Accumulated surplus, beginning of year</b>	<b>388,369</b>	<b>388,369</b>	<b>322,787</b>
<b>Accumulated surplus, end of year</b>	<b>\$ 395,084</b>	<b>\$ 710,591</b>	<b>\$ 388,369</b>

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

Office of the Auditor General

**CHICKEN FARMERS OF NEWFOUNDLAND AND LABRADOR**  
**STATEMENT OF CHANGE IN NET FINANCIAL ASSETS**  
For the Year Ended December 31

	2022 Budget	2022 Actual	2021 Actual
	(Note 8)		Restated (Note 12)
Annual surplus	\$ 6,715	\$ 322,222	\$ 65,582
<b>Tangible capital assets</b>			
Acquisition of tangible capital assets	-	(327,130)	(4,572)
Amortization of tangible capital assets	900	11,910	854
	900	(315,220)	(3,718)
<b>Prepaid expenses</b>			
Acquisition of prepaid expense	-	(138)	-
Use of prepaid expense	-	-	9
	-	(138)	9
<b>Increase in net financial assets</b>	7,615	6,864	61,873
<b>Net financial assets, beginning of year</b>	380,452	380,452	318,579
<b>Net financial assets, end of year</b>	\$ 388,067	\$ 387,316	\$ 380,452

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

Office of the Auditor General

**CHICKEN FARMERS OF NEWFOUNDLAND AND LABRADOR**  
**STATEMENT OF CASH FLOWS**  
For the Year Ended December 31

	2022	2021
		Restated (Note 12)
<b>Operating transactions</b>		
Annual surplus	\$ 322,222	\$ 65,582
Adjustment for non-cash items		
Amortization of tangible capital assets	11,910	854
	<u>334,132</u>	<u>66,436</u>
Change in non-cash operating items		
Receivables	(269,504)	6,810
Accounts payable and accrued liabilities	(3,030)	(7,862)
Accrued severance pay	2,197	1,515
Prepaid expense	(138)	9
	<u>63,657</u>	<u>66,908</u>
<b>Capital transactions</b>		
Acquisition of tangible capital assets	(327,130)	(4,572)
	<u>(327,130)</u>	<u>(4,572)</u>
<b>Investing transactions</b>		
Increase in investments	(236)	(45)
	<u>(236)</u>	<u>(45)</u>
<b>Cash and cash equivalents applied to investing transactions</b>	<b>(236)</b>	<b>(45)</b>
<b>(Decrease) increase in cash</b>	<b>(263,709)</b>	<b>62,291</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>376,851</b>	<b>314,560</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 113,142</b>	<b>\$ 376,851</b>

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

Office of the Auditor General

**CHICKEN FARMERS OF NEWFOUNDLAND AND LABRADOR**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2022**

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**1. Nature of operations**

The Chicken Farmers of Newfoundland and Labrador (the Board) was established in 1980 by the Newfoundland and Labrador Chicken Marketing Scheme, under the Natural Products Marketing Act (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. Summary of significant accounting policies**

**(a) Basis of accounting**

The Chicken Farmers of Newfoundland and Labrador is classified as an Other Government Organization as defined by 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 (PSAB). The Chicken Farmers of Newfoundland and Labrador does not prepare a statement of remeasurement gains and losses as they have not entered into relevant transactions or circumstances that are being addressed by the statement. Outlined below are the significant accounting policies followed.

**(b) Cash and cash equivalents**

Cash and cash equivalents includes cash in the bank and short-term investments with maturities less than one year.

**(c) Financial instruments**

Financial instruments recognized on the statement of financial position consist of cash and cash equivalents, accounts receivable, investments and accounts payable. The Board 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 Board subsequently measures all of its financial assets and financial liabilities at cost. Financial assets measured at cost include cash and cash equivalents, accounts receivable, and investments. Non-redeemable guaranteed investment certificates are classified as investments. Interest related to these investments is accrued as earned. Financial liabilities measured at cost include accounts payable and accrued liabilities.

**CHICKEN FARMERS OF NEWFOUNDLAND AND LABRADOR**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2022**

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**2. Summary of significant accounting policies (cont.)**

**(c) Financial instruments (cont.)**

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

Income attributable to financial instruments is reported in the statement of operations.

**(d) Accrued severance pay**

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

**(e) Tangible capital assets**

Tangible capital assets are recorded at cost, including amounts that are directly related to the acquisition of the assets. The cost, less residual value, of tangible capital assets is amortized 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
Trailers	15 years, straight-line

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Board's ability to provide services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. Net write-downs are accounted for as expenses in the statement of operations.

**(f) Revenues**

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.

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 FINANCIAL STATEMENTS**  
**December 31, 2022**

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**2. Summary of significant accounting policies (cont.)**

**(f) Revenues (cont.)**

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 the CFC. There were \$134,784 of levies collected in 2022 (2021 - \$128,345).

The Board recognizes the receipt of government transfers as revenue in the period the transfer is authorized and all eligibility criteria have been met, except when and to the extent that the transfer gives rise to an obligation that meets the definition of a liability for the Board. Government transfers consist of funding from the Province of Newfoundland and Labrador.

**(g) Expenses**

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

**(h) Measurement uncertainty**

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

**(i) Accounting pronouncement**

The PSAB has issued PS 3280 Asset Retirement Obligations which is effective April 1, 2022. This is a new standard on how to account for and report legal obligations associated with the retirement of tangible capital assets. The Board has early adopted this standard for the year ended December 31, 2022 and has determined that there is no impact on these financial statements.

**CHICKEN FARMERS OF NEWFOUNDLAND AND LABRADOR**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2022**

**3. 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 the Chicken Farmers of Canada.

As part of this agreement, the Chicken Farmers of Newfoundland and Labrador has filed a letter of credit to the Chicken Farmers of Canada in respect of any possible over marketing levies assessed. The letter of credit as at December 31, 2022 was \$28,658 (2021 - \$28,658).

**4. Receivables**

	<u>2022</u>	<u>2021</u> Restated (Note 12)
Levies	\$ 21,463	\$ 15,866
Harmonized Sales Tax	51,874	-
Province of Newfoundland and Labrador	<u>212,033</u>	<u>-</u>
	<u>\$ 285,370</u>	<u>\$ 15,866</u>

**5. Tangible capital assets**

	<u>Furniture and equipment</u>	<u>Trailers</u>	<u>Total</u>
<b>Cost</b>			
Balance, December 31, 2021	\$ 46,526	\$ -	\$ 46,526
Additions	-	327,130	327,130
Disposals	(2,066)	-	(2,066)
<u>Balance, December 31, 2022</u>	<u>\$ 44,460</u>	<u>\$ 327,130</u>	<u>\$ 371,590</u>
<b>Accumulated amortization</b>			
Balance, December 31, 2021	\$ 41,494	\$ -	\$ 41,494
Amortization expense	1,006	10,904	11,910
Disposals	(2,066)	-	(2,066)
<u>Balance, December 31, 2022</u>	<u>\$ 40,434</u>	<u>\$ 10,904</u>	<u>\$ 51,338</u>
<u>Net book value, December 31, 2022</u>	<u>\$ 4,026</u>	<u>\$ 316,226</u>	<u>\$ 320,252</u>
<u>Net book value, December 31, 2021</u>	<u>\$ 5,032</u>	<u>\$ -</u>	<u>\$ 5,032</u>

Office of the Auditor General

**CHICKEN FARMERS OF NEWFOUNDLAND AND LABRADOR**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2022

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**6. Economic dependence**

Approximately 53% (2021 – 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.

**7. Financial risk management**

The Board recognizes the importance of managing significant risks and this includes policies, procedures and oversight designed to reduce the risks identified to an appropriate threshold. The risks that the Board are exposed to through its financial instruments are credit risk, liquidity risk and market risk. There was no significant change in the Board'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 Board's main credit risk relates to cash and cash equivalents, investments and accounts receivable. The Board's maximum exposure to credit risk is the carrying amounts of these financial instruments. The Board is not exposed to significant credit risk with its cash and cash equivalents because this financial instrument is held with a Chartered Bank. The Board is not exposed to significant credit risk related to its accounts receivable as these amounts are due primarily from the Province of Newfoundland and Labrador. Accordingly, there is no allowance for doubtful accounts as all amounts are considered collectible.

Liquidity risk

Liquidity risk is the risk that the Board will be unable to meet its contractual obligations and financial liabilities. The Board's exposure to liquidity risk relates mainly to its accounts payable, accrued liabilities and accrued severance pay. The Board manages liquidity risk by monitoring its cash flows and ensuring that it has sufficient resources available to meet its obligations and liabilities.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency (foreign exchange) risk, interest rate risk and other price risk. The Board is not exposed to significant foreign exchange or other price risk. The Board is not exposed to significant interest rate related to investments because these investments have fixed interest rates and fixed values at maturity.

**CHICKEN FARMERS OF NEWFOUNDLAND AND LABRADOR**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2022**

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**8. Budgeted figures**

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

**9. Related party transactions**

These financial statements include transactions with a related party. The Board is related, as a result of common ownership, to all Crown corporations and agencies of the Province. During the year, the Board recognized \$324,756 (2021 - \$0) in revenue from the Province of Newfoundland and Labrador, received at the exchange amount through the normal course of business. Accounts receivable includes \$212,033 (2021 - \$0) due from the Province of Newfoundland through the normal course of business.

**10. Non-financial assets**

The recognition and measurement of non-financial assets is based on their service potential. These assets will not provide resources to discharge liabilities of the Board. For non-financial assets, the future economic benefit consists of their capacity to render service to further the Board's objectives.

**11. Accumulated surplus**

The Board segregates its accumulated surplus in the following categories:

	<u>2022</u>	<u>2021</u> Restated (Note 12)
Unrestricted	<b>\$ 532,391</b>	\$ 210,169
Contingency fund	<b>178,200</b>	178,200
	<b>\$ 710,591</b>	\$ 388,369

The unrestricted fund is set aside for the regular program delivery and administrative activities of the Board, while the purpose of the contingency fund is to mitigate the effects of revenue shortfalls and emergencies on the general operations of the Board.

**CHICKEN FARMERS OF NEWFOUNDLAND AND LABRADOR**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2022**

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**12. Prior period reclassifications and restatements**

During the year, it was determined that short-term investments with a cashable option were incorrectly allocated to investments rather than to cash equivalents in 2021. As a result, certain amounts presented in 2021 have been revised to correct these misstatements.

As a result of the incorrect allocation of cashable investments for the year ended December 31, 2021, the following items were misstated:

- On the statement of financial position, cash and cash equivalents were understated by \$14,176 and investments were overstated by \$14,176.
- On the statement of cash flows, beginning cash and cash equivalents were understated by \$14,176.

Also during the year, it was determined that funds receivable from Country Ribbon Inc. in 2021 were not recorded as accounts receivable for the year ended December 31, 2021. As a result, certain amounts in 2021 have been restated to correct these misstatements.

As a result of the incorrect recognition of funds received for the year ended December 31, 2021, the following items were misstated:

- On the statement of financial position, receivables were understated by \$4,565 and accumulated surplus was understated by \$4,565.
- On the statement of operations, levy revenue was understated by \$4,565 and annual surplus and accumulated surplus were understated by \$4,565.
- On the statement of change in net financial assets, annual surplus was understated by \$4,565.
- On the statement of cash flows, the annual surplus was understated by \$4,565 and change in receivables were understated by \$4,565.
- In the notes to the financial statements, levies receivables in note 4 were understated by \$4,565 and unrestricted accumulated surplus in note 11 was understated by \$4,565.

**13. Segmented information by object**

The Chicken Farmers of Newfoundland and Labrador reports its expenses by program area as outlined in its approved budget.

**CHICKEN FARMERS OF NEWFOUNDLAND AND LABRADOR**  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2022

**13. Segmented information by object (cont.)**

	Administration		Regulatory		Promotion		Facilitation		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<b>Expenses</b>	<b>\$ 11,910</b>	<b>\$ 854</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 11,910</b>	<b>\$ 854</b>
Amortization	25,375	-	26,168	-	11,895	-	15,860	-	79,298	-
Agricultural project	2,720	-	2,804	-	1,275	-	1,700	-	8,499	-
Food Safety and Animal Care	-	3,613	-	3,725	-	1,693	-	2,258	-	11,289
H2O project	1,074	1,024	-	-	-	-	-	-	1,074	1,024
Insurance	758	738	-	-	-	-	-	-	758	738
Interest and bank charges	-	-	134,784	128,345	-	-	-	-	134,784	128,345
Levy - CFC	-	87	-	-	-	-	-	-	-	87
Miscellaneous	2,610	3,336	153	76	70	35	92	46	2,925	3,493
Office and postage	11,550	17,550	-	-	-	-	-	-	11,550	17,550
Per diems	8,178	19,417	190	4,060	86	75	115	100	8,569	23,652
Professional fees	48	5,000	50	-	2,272	6,722	30	-	2,400	11,722
Promotion	3,582	3,582	-	-	-	-	-	-	3,582	3,582
Rent	2,497	2,957	-	-	-	-	-	-	2,497	2,957
Telephone	3,626	1,137	3,739	534	1,700	243	2,266	324	11,331	2,238
Travel and meetings	33,461	31,750	34,507	32,743	15,685	14,862	20,913	19,844	104,566	99,219
Wages and benefits										
<b>Total</b>	<b>\$ 107,389</b>	<b>\$ 91,045</b>	<b>\$ 202,395</b>	<b>\$ 169,483</b>	<b>\$ 32,983</b>	<b>\$ 23,650</b>	<b>\$ 40,976</b>	<b>\$ 22,572</b>	<b>\$ 383,743</b>	<b>\$ 306,750</b>

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