

Chicken Farmers of Newfoundland and Labrador

Annual Performance Report 2023



Message from the Chairperson

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 ending December 31, 2023. 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 year 2023, revenues increased due to increased chicken production and the service charge increased by \$0.0002 per kilogram. Additionally, expenditures decreased during the same period as a result of reduced operational costs related to operation of the Board. 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 progress made in 2023 towards the objective identified by the CFNL in its 2023-2025 Activity Plan.

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

Sincerely,



Theresa Heffernan
Chairperson
CFNL

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Overview

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 \$0.0165 per kilogram (live weight), plus HST, to the CFNL, which uses the proceeds of this service charge to fund its expenditures. Further information on revenues and expenditures can be found in Annex A: Audited Financial Statements.

The levy price per kilogram (live weight) paid to the CFNL from producers 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 \$0.0059 cents per kilogram. This is a total of \$0.0165 cents per kilogram for every kilogram of live weight chicken processed. See below for more details on CFNL's revenues and expenditures in fiscal 2023.

	2023	2022
Revenues	\$ 400,654	\$ 705,965
Expenditures	\$ 362,023	\$ 383,743
Surplus	\$ 38,631	\$ 322,222

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.

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.

Lines of Business:

The CFNL provides the following lines of business:

1. **Regulatory Role:** The CFNL regulates the production of chicken through a production licence. This licence permits the holder to produce, or to have produced by a contract grower, chicken to the extent of the production quota shown on that licence in accordance with the **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.
2. **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, other provincial and territorial ministers, and supervisory and chicken supply managed boards across Canada.
3. **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 CFNL.
4. **Facilitator Role:** The CFNL acts as a facilitator with regard 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.

Board Members:

As of December 31, 2023, the members of the CFNL included the following:

Name	Position	Community	Appointment Date	Expiry Date
Theresa Heffernan	Chairperson	St. John's	19/6/2023	19/06/2027

Name	Position	Community	Appointment Date	Expiry Date
Carol Anne Walsh	Vice-Chairperson	Conception Bay South	10/2/2023	10/2/2027
Ruth Noseworthy	Director	Paradise	6/8/2021	6/8/2024
Davis Noel	Director	Paradise	10/2/2023	10/2/2027

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
 Website: <http://www.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

Inflation and food costs have pushed many Canadians to make difficult choices regarding putting food on the table for themselves and their families. CFNL recognized this difficult time and provided the Community Food Sharing Association with additional support given the increased demands on the organization. For every \$10 donated to the Community Food Sharing Association they leverage \$205 worth of food. Farmers work hard to produce food for Canadians and want all Canadians to have enough food to eat.

Report on Performance

Issue: Enhancement of Emergency Preparedness within the Chicken Industry through Education and Training

Emergency preparedness is undergoing a great deal of rethinking across Canada due to unprecedented disasters related to extreme weather events, including fires, disease

outbreaks such as avian flu and various other conditions that create emergency situations. Enhancing the emergency preparedness of the chicken industry through education and training will assist the industry in preparing, mitigating, responding and recovering from emergencies that may occur.

As the focus of the CFNL will remain the same for the duration of the planning period, the CFNL will report on the same objectives and indicators in each of the three years.

Objective 2023:

By December 31, 2023, the Chicken Farmers of Newfoundland and Labrador will have advanced initiatives related to emergency preparedness of the provincial chicken industry.

Indicator 1: Coordinated education and training sessions for farmers, staff and industry partners regarding emergency preparedness.

In 2023, the CFNL successfully held an education session for producers and industry partners regarding cyber security. Agriculture and food production is critical infrastructure and must be protected. On April 28, 2023, a total of 24 participants were educated on practices and procedures to implement a strong cyber security program. An effective cybersecurity program reduces the risks for cyber-attack. A good program is also about preventing unauthorized access to the vast amount of information stored locally and online. A specialist covered topics such as outdated and unmaintained systems, the importance of data backups, activities aimed at reducing the risk of cyber-attack and breaches of systems and some of the techniques employed by cyber criminals to access digital systems. This session provided participants with an understanding of the measures needed to implement a program to reduce vulnerabilities and limit the risk of unauthorized access to online and digital devices.

On September 12, 2023, refresher training regarding emergency activities to be undertaken during an avian influenza outbreak was held. In-classroom training was provided to nine participants, consisting of farmers and industry partners. Established procedures and policies regarding safe and proper implementation of emergency activities were reviewed and discussed with each participant. The trainers provided each participant with instructions and guidance for the appropriate implementation of emergency procedures to effectively eradicate avian influenza disease on farms when it might occur. Having trained personnel available to control and eliminate avian influenza disease in the event of an outbreak is critical to the sustainability of the chicken industry in Newfoundland and Labrador.

Indicator 2: Coordinated on-site farm visits from industry experts to improve emergency preparedness on farms.

In 2023, the CFNL was successful in achieving one on-site farm visit from industry experts to improve emergency preparedness on farms. On September 13, 2023, refresher training took place on-farm regarding emergency activities to be undertaken during an avian influenza outbreak. Training was provided regarding the cleaning, maintenance, proper handling and safe use of emergency equipment. Trainers demonstrated to the participants proper techniques for effective control and use of the emergency equipment. Practical applications of the theories learned in the classroom training were performed by the participants once the trainers had demonstrated the proper method to the participants. Hands-on training is very important for the practical use of the emergency equipment and each participant experienced an opportunity to demonstrate their newly learned techniques.

Opportunities and Challenges

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 continued presence of highly pathogenic avian influenza (HPAI) continues to foster working relationships with industry partners 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.

Annex A: Audited Financial Statements

**CHICKEN FARMERS OF
NEWFOUNDLAND AND LABRADOR
FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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.

A handwritten signature in blue ink that reads "Ron Walsh".

Ron Walsh
Executive Director

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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, 2023, 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, 2023, 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.)

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

February 16, 2024
St. John's, Newfoundland and Labrador

CHICKEN FARMERS OF NEWFOUNDLAND AND LABRADOR**STATEMENT OF FINANCIAL POSITION****As at December 31****2023****2022****FINANCIAL ASSETS**

Cash and cash equivalents	\$ 436,211	\$ 113,142
Accounts receivable (Note 4)	31,696	285,370
Investments	31,635	30,670
	499,542	429,182

LIABILITIES

Accounts payables and accrued liabilities	25,997	18,458
Accrued severance pay	24,969	23,408
	50,966	41,866

Net financial assets	448,576	387,316
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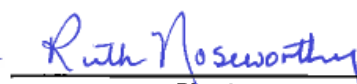
NON-FINANCIAL ASSETS

Prepaid expenses	3,009	3,023
Tangible capital assets (Note 5)	297,637	320,252
	300,646	323,275

Accumulated surplus (Note 11)	\$ 749,222	\$ 710,591
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The accompanying notes are an
integral part of these financial statements.

Signed on behalf of the Board:


Chairperson
Director

Office of the Auditor General

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

	2023 Budget (Unaudited) (Note 8)	2023 Actual	2022 Actual
REVENUES			
Levies	\$ 350,450	\$ 399,466	\$ 380,870
Province of Newfoundland and Labrador (Note 9)	-	-	324,756
Interest and miscellaneous	548	1,188	339
	350,998	400,654	705,965
EXPENSES (Note 12)			
Administration	90,369	109,684	107,389
Regulatory	181,667	187,071	202,395
Promotion	26,871	22,669	32,983
Facilitation	35,828	42,599	40,976
	334,735	362,023	383,743
Annual surplus	16,263	38,631	322,222
Accumulated surplus, beginning of year	710,591	710,591	388,369
Accumulated surplus, end of year	\$ 726,854	\$ 749,222	\$ 710,591

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

	2023 Budget (Unaudited) (Note 8)	2023 Actual	2022 Actual
Annual surplus	\$ 16,263	\$ 38,631	\$ 322,222
Tangible capital assets			
Acquisition of tangible capital assets	-	-	(327,130)
Amortization of tangible capital assets	1,143	22,615	11,910
	1,143	22,615	(315,220)
Prepaid expenses			
Acquisition of prepaid expenses	-	-	(138)
Use of prepaid expense	-	14	-
	-	14	(138)
Increase in net financial assets	17,406	61,260	6,864
Net financial assets, beginning of year	387,316	387,316	380,452
Net financial assets, end of year	\$ 404,722	\$ 448,576	\$ 387,316

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

2023

2022

Operating transactions

Annual surplus	\$ 38,631	\$ 322,222
Adjustment for non-cash items		
Amortization of tangible capital assets	22,615	11,910
	61,246	334,132

Change in non-cash working capital

Accounts receivable	253,674	(269,504)
Accounts payable and accrued liabilities	7,539	(3,030)
Accrued severance pay	1,561	2,197
Prepaid expenses	14	(138)

Cash and cash equivalents

provided from operating transactions	324,034	63,657
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Capital transactions

Acquisition of tangible capital assets	-	(327,130)
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Cash and cash equivalents

applied to capital transactions	-	(327,130)
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Investing transactions

Increase in investments	(965)	(236)
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Cash and cash equivalents

applied to investing transactions	(965)	(236)
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Increase (decrease) in cash and cash equivalents	323,069	(263,709)
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Cash and cash equivalents, beginning of year	113,142	376,851
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Cash and cash equivalents, end of year	\$ 436,211	\$ 113,142
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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, 2023

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 (the Province).

2. Summary of significant accounting policies

(a) Basis of accounting

The Board is classified as an Other Government Organizations 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 Board 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 and accrued liabilities. 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.

Office of the Auditor General

CHICKEN FARMERS OF NEWFOUNDLAND AND LABRADOR
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

2. Summary of significant accounting policies (cont.)

(c) Financial instruments (cont.)

The carrying value of cash and cash equivalents, 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 the Province. Revenue is recognized when the chicken is produced/marketed and collectability is reasonably assured.

Office of the Auditor General

CHICKEN FARMERS OF NEWFOUNDLAND AND LABRADOR
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

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 Board collects these levies directly from the processor and remits them to the CFC. There were \$141,533 of levies collected in 2023 (2022 - \$134,784).

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.

(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 CPSAS, 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 3400 Revenue which is effective April 1, 2023. This is a new standard on how to recognize, measure and present revenues in the public sector that are not government transfers or taxes. The Board has early adopted this standard for the year ended December 31, 2023 and has determined that there is no impact on these financial statements.

Office of the Auditor General

CHICKEN FARMERS OF NEWFOUNDLAND AND LABRADOR
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

3. Operating agreement

The Board 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 CFC.

As part of this agreement, the Board has filed a letter of credit to the CFC in respect of any possible over marketing levies assessed. The letter of credit as at December 31, 2023 was \$28,658 (2022 - \$28,658).

4. Accounts receivable

	<u>2023</u>	<u>2022</u>
Levies	\$ 31,696	\$ 21,463
Harmonized sales tax	-	51,874
Province of Newfoundland and Labrador	-	212,033
	<u>\$ 31,696</u>	<u>\$ 285,370</u>

5. Tangible capital assets

	<u>Furniture and equipment</u>	<u>Trailers</u>	<u>Total</u>
Cost			
Balance, December 31, 2022	\$ 44,460	\$ 327,130	\$ 371,590
Additions	-	-	-
Disposals	-	-	-
Balance, December 31, 2023	<u>\$ 44,460</u>	<u>\$ 327,130</u>	<u>\$ 371,590</u>
Accumulated amortization			
Balance, December 31, 2022	\$ 40,434	\$ 10,904	\$ 51,338
Amortization	806	21,809	22,615
Disposals	-	-	-
Balance, December 31, 2023	<u>\$ 41,240</u>	<u>\$ 32,713</u>	<u>\$ 73,953</u>
Net book value, December 31, 2023	<u>\$ 3,220</u>	<u>\$ 294,417</u>	<u>\$ 297,637</u>
Net book value, December 31, 2022	<u>\$ 4,026</u>	<u>\$ 316,226</u>	<u>\$ 320,252</u>

Office of the Auditor General

CHICKEN FARMERS OF NEWFOUNDLAND AND LABRADOR
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

6. Economic dependence

Approximately 99% (2022 – 53%) 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 from Country Ribbon Inc. Accordingly, there is no allowance for doubtful accounts as all amounts are considered collectible and management determines it is a low risk.

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.

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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 prepared by management. Budgeted figures included in the financial statements are not audited.

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. In the prior year, the Board recognized \$324,756 in revenue from the Province, received at the exchange amount through the normal course of business. In the prior year, accounts receivable included \$212,033 due from the Province through the normal course of business. There were no such transactions in the current year.

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>2023</u>	<u>2022</u>
Unrestricted	\$ 580,022	\$ 532,391
Contingency fund	169,200	178,200
	<u>\$ 749,222</u>	<u>\$ 710,591</u>

The unrestricted fund is set aside for 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.

12. Segmented information by object

The Board reports its expenses by program area as outlined in its approved budget.

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12. Segmented information by object (cont.)

	Administration		Regulatory		Promotion		Facilitation		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Expenses										
Amortization	\$ 22,615	\$ 11,910	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,615	\$ 11,910
Agricultural project	1,086	25,375	749	26,168	341	11,895	454	15,860	2,630	79,298
Donations	15,000	-	-	-	-	-	-	-	15,000	-
Food Safety and										
Animal Care	2,801	2,720	2,889	2,804	1,313	1,275	1,751	1,700	8,754	8,499
Grants	-	-	-	-	-	-	15,000	-	15,000	-
Insurance	1,293	1,074	-	-	-	-	-	-	1,293	1,074
Interest and bank										
charges	1,471	758	-	-	-	-	-	-	1,471	758
Lewy - CFC	-	-	141,533	134,784	-	-	-	-	141,533	134,784
Miscellaneous	297	-	-	-	-	-	-	-	297	-
Office and postage	2,789	2,610	1,039	153	472	70	630	92	4,930	2,925
Per diems	8,575	11,550	-	-	-	-	-	-	8,575	11,550
Professional fees	11,875	8,178	4,878	190	2,217	86	2,956	115	21,926	8,569
Promotion	375	48	-	50	1,970	2,272	-	30	2,345	2,400
Rent	3,582	3,582	-	-	-	-	-	-	3,582	3,582
Telephone	3,032	2,497	-	-	-	-	-	-	3,032	2,497
Travel and meetings	2,416	3,626	2,491	3,739	1,132	1,700	1,510	2,266	7,549	11,331
Wages and benefits	32,477	33,461	33,492	34,507	15,224	15,685	20,298	20,913	101,491	104,566
Total	\$109,684	\$107,389	\$187,071	\$202,395	\$ 22,689	\$ 32,983	\$ 42,599	\$ 40,976	\$362,023	\$383,743

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