

**Dairy Farmers of Newfoundland  
and Labrador**  
**Financial Statements**  
July 31, 2023

# Dairy Farmers of Newfoundland and Labrador

July 31, 2023

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## **Independent Auditors' Report**

To the Members  
Dairy Farmers of Newfoundland and Labrador

### **Opinion**

We have audited the financial statements of Dairy Farmers of Newfoundland and Labrador, which comprise the statement of financial position as at July 31, 2023 and the statements of operations, net 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 Dairy Farmers of Newfoundland and Labrador as at July 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Board standards PS 4200 - government not for profit organizations.

### **Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted accounting 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 organization 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 Board standards PS 4200 - government not for profit organizations, 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 these financial statements, management is responsible for assessing the organization'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 organization or to cease operations, or has no realistic alternative to do so.

Those charged with governance are responsible for overseeing the organization's financial reporting process.

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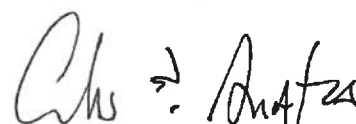
## **Auditor's Responsibilities for the Audit of the Financial Statements**

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 organization'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 organization'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 organization 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.



Chartered Professional Accountants

Paradise, Newfoundland and Labrador  
November 06, 2023

# Dairy Farmers of Newfoundland and Labrador



## Statement of Financial Position

July 31, 2023

	2023	2022
<b>Assets</b>		
<b>Current Assets</b>		
Cash (Note 2)	\$ 1,625,636	\$ 2,933,875
Accounts receivable (Note 3)	3,331,345	2,454,731
Notes receivable (Note 4)	786,922	15,000
Prepays	66,612	103,903
	5,810,515	5,507,509
Prepaid deposits	101,120	-
Property and equipment (Note 5)	414,792	60,503
	\$ 6,326,427	\$ 5,568,012
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities (Note 6)	\$ 3,170,706	\$ 2,986,289
Deferred revenue (Note 7)	195,865	117,819
Current portion of long term debt (Note 8)	57,370	-
	3,423,941	3,104,108
Long term debt (Note 8)	320,301	-
Accrued severance (Note 9)	63,457	55,159
Deferred government grant (Note 10)	25,264	32,483
	3,832,963	3,191,750
<b>Net Assets</b>		
Transportation fund	8,253	-
Unrestricted net assets	2,485,211	2,376,262
	2,493,464	2,376,262
	\$ 6,326,427	\$ 5,568,012

### Commitments (Note 17)

#### Approved on Behalf of the Board:

 Chairperson  
 Vice-chairperson

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

# Dairy Farmers of Newfoundland and Labrador

## Statement of Operations

For the Year Ended July 31, 2023

	2023	2022	Budget
<b>Revenue (Note 11)</b>	<b>\$ 1,388,559</b>	<b>\$ 1,256,737</b>	<b>\$ 1,190,000</b>
<b>Operating expenses</b>			
Salaries and benefits	239,754	204,468	208,000
Per diem and honorarium	71,800	55,650	50,000
Professional fees	66,694	86,420	75,000
Milk testing	49,845	42,368	45,000
Travel	27,825	24,801	25,000
Depreciation	24,091	18,848	15,000
Conference and meetings	23,972	20,945	15,000
CDC audit fees	22,000	-	10,000
Board annual and semi-annual meetings	20,239	3,654	15,000
Computer handheld devices	19,311	18,118	18,200
Rent and utilities	18,613	18,684	19,000
Contract wages	15,822	19,317	20,000
Office supplies, postage and phone	15,377	20,432	20,500
Insurance	11,058	6,070	8,000
Research	10,000	10,000	10,000
Donations, dues and subscriptions	2,179	9,837	2,500
Interest and bank charges	1,552	1,519	2,000
Equipment leasing	1,368	2,342	2,500
Miscellaneous	1,192	224	1,500
Advertising	800	865	4,500
ProAction	-	250	-
	<b>643,492</b>	<b>564,812</b>	<b>566,700</b>
<b>Excess of revenue over expenses from operations</b>	<b>745,067</b>	<b>691,925</b>	<b>623,300</b>
<b>Other income (expenditures)</b>			
Special projects (net) (Note 13)	105,379	(280,271)	-
Transportation division (net) (Note 14)	8,253	-	-
School Milk Foundation	(339,665)	(339,665)	(339,665)
Dairy Farmers of Canada	(333,479)	(325,257)	(350,000)
Real Dairy Company (net) (Note 15)	(62,728)	-	(50,000)
Federation of Agriculture	(5,625)	-	-
	<b>(627,865)</b>	<b>(945,193)</b>	<b>(739,665)</b>
<b>Excess (deficiency) of revenue over expenditures</b>	<b>\$ 117,202</b>	<b>\$ (253,268)</b>	<b>\$ (116,365)</b>

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

# Dairy Farmers of Newfoundland and Labrador

## Statement of Changes in Net Assets

For the Year Ended July 31, 2023

	Operating Fund	Transportation Fund	2023	2022
Net assets, beginning of year	\$ 2,376,262	\$ -	\$ 2,376,262	\$ 2,629,530
Excess (deficiency) of revenue over expenditures	108,949	8,253	117,202	(253,268)
<b>Net asstes, end of year</b>	<b>\$ 2,485,211</b>	<b>\$ 8,253</b>	<b>\$ 2,493,464</b>	<b>\$ 2,376,262</b>

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

# Dairy Farmers of Newfoundland and Labrador

## Statement of Cash Flows

For the Year Ended July 31, 2023

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Excess (deficiency) of revenue over expenditures	\$ 117,202	\$ (253,268)
Depreciation	24,091	18,848
Depreciation - Transportation division	66,142	-
	<b>207,435</b>	<b>(234,420)</b>
<b>Changes in non-cash working capital balances</b>		
Accounts receivable	(560,978)	(203,356)
Harmonized sales tax receivable	(61,337)	668
Producer deposits	(254,300)	-
Notes receivable	(771,922)	-
Prepays	37,291	(38,721)
Accounts payable and accrued liabilities	184,416	444,744
Accrued severance	8,298	3,549
Deferred revenue	78,046	111,295
Deferred government grant	(7,219)	32,483
	<b>(1,140,270)</b>	<b>116,242</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(444,520)	(51,442)
Prepaid deposits	(101,120)	-
	<b>(545,640)</b>	<b>(51,442)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from long term debt	401,575	-
Repayment of long term debt	(23,904)	-
	<b>377,671</b>	<b>-</b>
<b>Net (decrease) increase in cash</b>	<b>(1,308,239)</b>	<b>64,800</b>
Cash, beginning of year	2,933,875	2,869,075
<b>Cash, end of year</b>	<b>\$ 1,625,636</b>	<b>\$ 2,933,875</b>

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



# Dairy Farmers of Newfoundland and Labrador

Notes to the Financial Statements  
For the Year Ended July 31, 2023

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## 1. Significant Accounting Policies

### Nature of organization and basis of accounting

Dairy Farmers of Newfoundland and Labrador is a Commodity Board under the Natural Products Marketing Act of Newfoundland and Labrador. The organization's principal activities are to provide services to and facilitate the purchase and resale of milk on behalf of the dairy farmers of Newfoundland and Labrador. As a not for profit enterprise, the organization is exempt for income taxes under section 149(l) of the Income Tax Act of Canada.

The financial statements have been prepared in accordance with Canadian Public Sector Accounting Board standards PS 4200 - government not for profit organizations.

### Property and equipment

Property and equipment is recorded at cost less accumulated depreciation. Depreciation is provided for using the declining balance and straight line methods over the estimated useful lives as follows for the major classes of assets:

Computer equipment	45%
Software and website	5 years
Furniture and equipment	20%

### Impairment of long lived assets

In the event that facts and circumstances indicate that the organization's long-lived assets may be impaired, an evaluation of recoverability would be performed. Such an evaluation entails comparing the estimated future undiscounted cash flows associated with the asset to the asset's carrying amount to determine if a write down to market value or discounted cash flow value is required. The organization considers that no circumstances exist that would require such an evaluation.

### Fund accounting

The organization uses the deferral method of accounting for restricted revenues. Contributions for specific projects are recognized as related expenses are incurred and any unapplied portion is included in deferred revenue.

### Revenue recognition

Market share quota revenue including fluid and industrial milk, pooling charges, transportation and levies is recognized when milk is shipped from producers for processing.

Government funding for specific projects is recognized when received.

# Dairy Farmers of Newfoundland and Labrador

Notes to the Financial Statements  
For the Year Ended July 31, 2023

## 1. Significant Accounting Policies continued

### Financial instruments

The organization has determined that the estimated fair value of the financial assets and liabilities do not differ considerably from their book value.

### Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for public sector enterprises 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 reporting period. The organization uses estimates with respect to the collectibility of accounts receivable and the estimated useful lives of property and equipment. Actual results could differ from those estimates and may have impact on future periods.

## 2. Cash

Under a banking agreement with the Bank of Montreal interest is paid on cash balances held on account at Prime minus 1.7%. Dairy Farmers of Newfoundland and Labrador also maintains an approved line of credit of \$600,000 at an interest rate of Prime. As security the organization has provided a general security agreement with an interest in all movable assets and first charge on accounts receivable and property and equipment. As at July 31, 2023 the balance on the line of credit was \$nil (2022 - \$nil).

## 3. Accounts receivable

	2023	2022
Accounts receivable	\$ 3,010,858	\$ 2,449,881
Producer deposits	254,300	-
Harmonized sales tax receivable	66,187	4,850
	<b>\$ 3,331,345</b>	<b>\$ 2,454,731</b>

# Dairy Farmers of Newfoundland and Labrador

Notes to the Financial Statements  
For the Year Ended July 31, 2023

## 4. Notes receivable

	2023	2022
Advances - Norway project	\$ 771,922	\$ -
Advances - Real Dairy Company of Newfoundland Ltd.	62,728	-
Note receivable - Real Dairy Company of Newfoundland Ltd.	15,000	15,000
	849,650	15,000
Provision for write down - Real Dairy Company of Newfoundland Ltd.	(62,728)	-
	\$ 786,922	\$ 15,000

Advances to Norway project are anticipated to be recovered in the next fiscal year. They are non-interest bearing and there are no set terms of repayment.

The Real Dairy Company of Newfoundland Ltd. was established under agreement with the Dairy Farmers of Newfoundland and Labrador to promote secondary processing of milk products. To date, the company receives its' funding from the organization and a grant from the Atlantic Canada Opportunities Agency. The Note receivable was provided to fund working capital for the start up of the project. The note is non-interest bearing and is due January 2024.

Advances to the Real Dairy Company of Newfoundland Ltd. are funded from the P10 commitment which is in a deficit position of \$88,593 as at July 31, 2023. Provision to write the balance of the advances down has been made in the accounts.

## 5. Property and equipment

	Cost	Accumulated Depreciation	2023 Net Book Value	2022 Net Book Value
Computer equipment	\$ 27,110	\$ 24,522	\$ 2,588	\$ 2,937
Software and website	60,992	60,992	-	12,199
Furniture and equipment	43,160	40,130	3,030	1,176
Transportable milk samplers	49,101	14,730	34,371	44,191
Tank trailers	440,944	66,141	374,803	-
	\$ 621,307	\$ 206,515	\$ 414,792	\$ 60,503

# Dairy Farmers of Newfoundland and Labrador

## Notes to the Financial Statements

For the Year Ended July 31, 2023

### 6. Accounts payable and accrued liabilities

	2023	2022
Trade accounts payable and accrued liabilities	\$ 3,141,570	\$ 2,949,582
School Milk Foundation	20,251	30,895
Employee deductions	8,885	5,812
	<b>\$ 3,170,706</b>	<b>\$ 2,986,289</b>

### 7. Deferred revenue

	2023	2022
Real Dairy Company of Newfoundland Ltd.	\$ 141,360	\$ 29,536
Transportation division	54,505	88,283
	<b>\$ 195,865</b>	<b>\$ 117,819</b>

### 8. Long-term debt

	2023	2022
Bank of Montreal term loan, repayable monthly principal instalments of \$2,390 plus interest at BMO prime, secured by equipment with net book value of \$187,401, a general security agreement and assignment of insurance.	\$ 188,836	\$ -
Bank of Montreal term loan, repayable monthly principal instalments of \$2,390 plus interest at BMO prime, secured by equipment with net book value of \$187,401, a general security agreement and assignment of insurance.	188,835	-
	<b>377,671</b>	-
Less: Current portion	<b>57,370</b>	-
	<b>\$ 320,301</b>	<b>\$ -</b>

Principal repayments on long-term debt over the next five years are as follows:

2024	\$ 57,370
2025	\$ 57,370
2026	\$ 57,370
2027	\$ 57,370
2028	\$ 57,370

# Dairy Farmers of Newfoundland and Labrador

Notes to the Financial Statements  
For the Year Ended July 31, 2023

## 9. Accrued severance

Dairy Farmers of Newfoundland and Labrador employee contracts include severance payable based on years of service and current salary levels. The right to severance vests with employees with five years of continuous service, and accordingly no provision has been made in the accounts for potential severance that has not vested. The amounts are payable when eligible employees cease employment with the organization.

## 10. Deferred government grant

Government of Newfoundland and Labrador grant to assist in the purchase of transportable milk samplers is being amortized on the same basis as the related assets.

## 11. Revenue

	2023	2022	Budget
Board levies	\$ 1,239,439	\$ 1,158,889	\$ 1,150,000
Interest	135,042	32,373	40,000
Amortization of deferred government grant	7,218	3,609	-
General reserve	5,011	-	-
Administration	1,849	1,386	-
New entrants (Note 12)	-	60,480	-
	\$ 1,388,559	\$ 1,256,737	\$ 1,190,000

## 12. New entrants levy

Dairy Farmers of Newfoundland and Labrador has entered into agreements under varied terms with select producers acquiring quota and entering the market. Revenue of \$nil (2022 - \$60,480) related to these agreements was recorded during the year.

# Dairy Farmers of Newfoundland and Labrador

Notes to the Financial Statements  
For the Year Ended July 31, 2023

## 13. Special projects

	2023	2022
<b>Revenues</b>		
Mastitis Council AGM	\$ 10,000	\$ -
2% More milk campaign	-	154,022
	<b>10,000</b>	<b>154,022</b>
<b>Expenditures</b>		
Mastitis Council AGM	16,361	-
National cost of production study	4,810	4,412
Norway project (recovery)	(116,550)	116,550
2% More milk campaign	-	269,422
Tank calibration	-	23,909
DFNL - Agropur No Bull partnership	-	20,000
	<b>(95,379)</b>	<b>434,293</b>
<b>Excess of expenditures over revenue</b>	<b>\$ 105,379</b>	<b>\$ (280,271)</b>

## 14. Transportation division

	2023	2022
<b>Revenue</b>	<b>\$ 145,810</b>	<b>\$ -</b>
<b>Expenditures</b>		
Depreciation	66,142	-
Brokers	23,505	-
Interest on long term debt	10,679	-
Quality control	10,430	-
Professional fees	8,287	-
Salaries and benefits	6,353	-
Repairs and maintenance	5,148	-
Office	3,456	-
Insurance	2,629	-
License fees	928	-
	<b>137,557</b>	<b>-</b>
<b>Excess of revenue over expenditures</b>	<b>\$ 8,253</b>	<b>\$ -</b>

# Dairy Farmers of Newfoundland and Labrador

Notes to the Financial Statements  
For the Year Ended July 31, 2023

## 15. Real Dairy Company

	2023	2022
<b>Revenue</b>		
Engineering and design	\$ 188,185	\$ -
Real Dairy Company of Newfoundland Ltd. allocation	\$ 152,787	\$ 102,988
	<b>340,972</b>	<b>102,988</b>
<b>Expenditures</b>		
Engineering and design	188,185	-
Real Dairy Company of Newfoundland Ltd.	152,787	102,988
Provision for write down of advances	62,728	-
	<b>403,700</b>	<b>102,988</b>
<b>Excess of expenditures over revenue</b>	<b>\$ (62,728)</b>	<b>\$ -</b>

## 16. Risk management

### Credit risk

The organization does not face significant credit risk exposure. The fair values of items that meet the definition of financial instruments approximate their carrying values. These items include accounts receivable and notes receivable.

### Interest rate risk

Interest rate risk is the exposure of the organizations interest income and cost to service debt that arises from fluctuations in interest rates. The organization manages this risk by regularly reviewing the terms offered for interest on excess funds and long term debt to ensure favorable rates are obtained.

### Liquidity risk

Liquidity risk is the risk that the organization may not have cash available to satisfy financial liabilities as they come due. In addition to available cash on hand, the organization maintains a committed credit facility to ensure that it has sufficient funds to meet current and foreseeable future financial requirements at a reasonable cost.

## 17. Commitments

The Dairy Farmers of Newfoundland and Labrador has a commitments for the lease of office space and equipment. The organization's share of the annual lease agreement is \$15,908 and expires May 17, 2025.



# Dairy Farmers of Newfoundland and Labrador

## Schedule I - Milk Revenue and Expenditures

For the Year Ended July 31, 2023

	2023	2022
<b>Revenues</b>		
Milk income	\$ 54,458,744	\$ 50,080,959
Milk transportation	4,336,451	3,963,513
CDC special class pooling	1,088,660	1,145,721
	<b>\$ 59,883,855</b>	<b>\$ 55,190,193</b>
<b>Expenditures</b>		
Milk expenses	\$ 54,458,746	\$ 50,080,956
Milk transportation	4,336,451	3,963,513
CDC special class pooling	1,088,658	1,145,724
	<b>\$ 59,883,855</b>	<b>\$ 55,190,193</b>
<b>Excess of revenue over expenditures</b>	<b>\$ -</b>	<b>\$ -</b>