



Financial Statements

Egg Farmers of Newfoundland and Labrador

December 31, 2023

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Independent Auditor's Report

To the Directors of
Egg Farmers of Newfoundland and Labrador

Opinion

We have audited the financial statements of Egg Farmers of Newfoundland and Labrador, which comprise the statement of financial position as at December 31, 2023, and the statements of operations and changes in 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 the Organization as at December 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the 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 the financial statements in accordance with Canadian accounting standards for 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 the financial statements, management is responsible for assessing the Organization'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 liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

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

Independent Auditor's Report (continued)

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.

St. John's, Canada
March 6, 2024

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script.

Chartered Professional Accountants

Egg Farmers of Newfoundland and Labrador

Statements of Operations and Changes in Net Assets

Year ended December 31	2023	2022
Revenue		
Assessments	\$ 522,155	\$ 535,488
Promotional allowance programs	90,000	104,251
Grant revenue	13,500	29,500
Amortization of deferred contributions related to equipment	26,621	27,338
Contributions - Industrial product fund	3,974	127,131
Contributions - CETPP fund	51,569	47,695
	<u>707,819</u>	<u>871,403</u>
Less:		
Other costs		
Industrial product fund expenditures	3,974	127,131
CETPP fund expenditures	51,569	47,695
	<u>55,543</u>	<u>174,826</u>
	<u>652,276</u>	<u>696,577</u>
Expenses		
Bank charges	2,359	2,135
Depreciation	48,667	44,980
Directors' per diem	38,550	39,900
Equipment rental and repairs	12,753	7,699
Fees, gazettement and insurance	17,381	16,235
Honorarium	18,000	18,000
Inspection and enforcement	11,154	9,999
Interest on long-term debt	6,449	5,220
Meetings	32,559	14,055
Office supplies	10,762	9,332
Postage and courier	703	613
Poultry Health Management	26,004	23,215
Professional Fees	32,483	41,260
Promotional and sponsorship	109,684	167,215
Property Tax	1,383	1,330
Rent	17,400	17,471
Salaries and Benefits	203,590	192,452
Scholarships	1,000	1,000
Special projects and other	7,837	8,206
Telephone and utilities	11,170	10,096
Travel	52,569	38,363
	<u>662,457</u>	<u>668,776</u>
(Deficiency) excess of revenue over expenses	\$ (10,181)	\$ 27,801
Net assets, beginning of year	\$ 262,924	\$ 235,123
(Deficiency) excess of revenue over expenses	<u>(10,181)</u>	<u>27,801</u>
Net assets, end of year	<u>\$ 252,743</u>	<u>\$ 262,924</u>

Egg Farmers of Newfoundland and Labrador

Statement of Financial Position

December 31

2023

2022

Assets

Current

Cash and cash equivalents (Note 4)	\$ 754,697	\$ 786,432
Receivables (Note 5)	1,391,718	1,081,538
Prepays	4,075	4,431
	<u>2,150,490</u>	<u>1,872,401</u>

Equipment (Note 6)	<u>561,145</u>	<u>606,251</u>
	<u>\$ 2,711,635</u>	<u>\$ 2,478,652</u>

Liabilities

Current

Payables and accruals (Note 7)	\$ 1,636,334	\$ 1,460,845
Current portion of long-term debt (Note 8)	27,617	48,994
	<u>1,663,951</u>	<u>1,509,839</u>


Long-term debt (Note 8)	76,868	104,248
Deferred capital contributions related to equipment (Note 9)	308,363	334,984
Risk management fund (Note 10)	55,347	55,347
Industrial product fund (Note 11)	22,214	22,025
Conventional to enriched transition and producer pricing fund (Note 12)	<u>332,149</u>	<u>189,285</u>
	<u>2,458,892</u>	<u>2,215,728</u>

Net assets	<u>252,743</u>	<u>262,924</u>
	<u>\$ 2,711,635</u>	<u>\$ 2,478,652</u>

On behalf of the Board



Director



Director

Egg Farmers of Newfoundland and Labrador

Statement of Cash Flows

Year ended December 31

2023

2022

Increase (decrease) in cash

Operating

(Deficiency) excess of revenue over expenses	\$ (10,181)	\$ 27,801
Items not affecting cash		
Amortization of deferred contributions related to equipment	(26,621)	(27,338)
Depreciation	48,667	44,980
Change in non-cash operating working capital (Note 13)	8,718	123,545
	<u>20,583</u>	<u>168,988</u>

Financing

Repayment of long-term debt	(48,757)	(46,606)
Proceeds of long-term debt	-	142,695
	<u>(48,757)</u>	<u>96,089</u>

Investing

Purchase of property and equipment	<u>(3,561)</u>	<u>(147,148)</u>
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(Decrease) increase in cash (31,735) 117,929

Cash

Beginning of year	<u>786,432</u>	<u>668,503</u>
End of year	<u>\$ 754,697</u>	<u>\$ 786,432</u>

Egg Farmers of Newfoundland and Labrador

Notes to the Financial Statements

December 31, 2023

1. Purpose of the organization

The Organization, under the Province of Newfoundland and Labrador legislation, has a right and obligation to:

- (a) control the supply of eggs to meet consumer demand;
 - (b) establish the minimum price for eggs at the farm gate level; and,
 - (c) generally manage the production of eggs so that the price received by the producer is reflective of the cost of production while at the same time ensuring consistent supply, fair pricing and high quality for the product at the consumer level.
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2. Summary of significant accounting policies

Basis of presentation

The Organization has prepared these financial statements in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Assessment revenue

Assessment revenue is recognized upon billing based on minimum production levels for allocated quotas.

Contribution revenue

The Organization follows the deferral method of accounting for the industrial product fund contributions, conventional to enriched transition and producer pricing fund contributions, and risk management fund contributions. Under this method, contributions restricted for future period expenses are deferred and are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Grant revenue

Revenues from grants are recognized as revenue when amounts have been received and all eligibility criteria or stipulations have been met. Revenues from grants are recognized as deferred revenue when the eligibility criteria or stipulations have not been met.

Cash and cash equivalents

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

Capital assets

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

Egg Farmers of Newfoundland and Labrador

Notes to the Financial Statements

December 31, 2023

2. Summary of significant accounting policies (continued)

Capital assets (continued)

Furniture and equipment	20% Declining balance
Computer equipment	25% Declining balance
Egg tray system	15 years Straight-line
Vehicle	30% Declining balance

When a capital asset no longer has any long term service potential to the Organization, the excess of its net carrying value over residual value is recognized as an expense in the statement of operations. Any write-downs recognized are not reversed.

Deferred capital contributions

Deferred capital contributions represent the unamortized grant funding received for the purchase of capital assets associated with specific projects approved by the Organization. The amortization of deferred capital contributions is recorded as revenue in the statement of operations over the useful life of the capital assets.

Financial instruments

Financial instruments in arm's length transactions

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

- cash and cash equivalents
- receivables
- payables
- long-term debt

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

The Organization's financial instruments are measured at fair value when issued or acquired. For financial instruments subsequently measured at cost or amortized cost, fair value is adjusted by the amount of the related financing fees and transaction costs. Transaction costs and financing fees relating to financial instruments that are measured subsequently at fair value are recognized in operations in the year in which they are incurred.

At each reporting date, the Organization measures its financial assets and liabilities at cost or amortized cost (less impairment in the case of financial assets). The financial instruments measured at amortized cost are cash and cash equivalents, receivables, payables and long-term debt.

For financial assets measured at cost or amortized cost, the Organization regularly assesses whether there are any indications of impairment. If there is an indication of impairment, and the Organization determines that there is a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it recognizes an impairment loss in the statement of operations. Any reversals of previously recognized impairment losses are recognized in operations in the year the reversal occurs.

Egg Farmers of Newfoundland and Labrador

Notes to the Financial Statements

December 31, 2023

2. Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial instruments in related party transactions

Financial assets and financial liabilities in related party transactions are initially measured at cost, with the exception of certain instruments which are initially measured at fair value. The Organization does not have any financial assets or financial liabilities in related party transactions which are initially measured at fair value.

Gains or losses arising on initial measurement differences are generally recognized in net income when the transaction is in the normal course of operations, and in equity when the transaction is not in the normal course of operations, subject to certain exceptions.

Financial assets and financial liabilities recognized in related party transactions are subsequently measured based on how the Organization initially measured the instrument. Financial instruments initially measured at cost are subsequently measured at cost, less any impairment for financial assets. Financial instruments initially measured at fair value, of which the Organization has none, would be subsequently measured at amortized cost or fair value based on certain conditions.

3. Financial instruments

The Organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the Organization's risk exposure and concentrations at December 31, 2023.

(a) Credit risk

The Organization does have credit risk in its receivables. 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 Organization receives levies, which are legislated by the Province, from egg producers. There was no significant change in exposure over the prior year.

(b) Liquidity risk

The Organization does have a liquidity risk in its payables and long-term debt. Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Organization reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due. There was no significant change in exposure over the prior year.

4. Cash and cash equivalents

Cash and cash equivalents include \$332,149 (2022 - \$189,285) relating to the Conventional to enriched transition and producer pricing (CETPP) fund, \$55,347 (2022 - \$55,347) relating to the Risk management fund, and \$22,214 (2022 - \$22,025) relating to the Industrial product fund.

Egg Farmers of Newfoundland and Labrador

Notes to the Financial Statements

December 31, 2023

5. Receivables	2023	2022
Producers levies receivable	\$ 307,858	\$ 228,790
Producers accrued levies on earned quota credits receivable	213,381	-
Egg Farmers of Canada		
- Industrial product	805,377	803,389
- Promotional funding	51,602	40,264
Grant receivable	13,500	-
HST receivable	-	9,095
	\$ 1,391,718	\$ 1,081,538

6. Equipment			2023	2022
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Furniture and equipment	\$ 110,928	\$ 94,375	\$ 16,553	\$ 20,692
Computer equipment	58,100	52,749	5,351	2,979
Egg tray system	632,028	95,596	536,432	578,567
Vehicle	40,128	37,319	2,809	4,013
	\$ 841,184	\$ 280,039	\$ 561,145	\$ 606,251

7. Payables and accruals	2023	2022
Trade payables and accruals	\$ 61,409	\$ 132,129
Government remittances	6,551	6,899
HST payable	13,287	-
Industrial product	812,038	806,176
Egg Farmers of Canada levies	529,668	515,641
Egg Farmers of Canada accrued levies on earned quota credits	213,381	-
	\$ 1,636,334	\$ 1,460,845

8. Long-term debt	2023	2022
Bank of Montreal loan bearing interest at 5.89% per annum, repayable in monthly blended payments of \$2,751, maturing June 2027. Loan is secured by specific equipment with a net book value of \$131,517.	\$ 104,485	\$ 130,290
Bank of Montreal loan bearing interest at 2.89% per annum, repaid during the year.	-	20,827
Bank of Montreal loan bearing interest at 4.46% per annum, repaid during the year.	-	2,125

Egg Farmers of Newfoundland and Labrador

Notes to the Financial Statements

December 31, 2023

	<u>104,485</u>	<u>153,242</u>
Less current portion	<u>27,617</u>	<u>48,994</u>
Due beyond one year	<u>\$ 76,868</u>	<u>\$ 104,248</u>
Estimated principal repayments are as follows:		
2024	\$ 27,617	
2025	29,289	
2026	31,061	
2027	<u>16,518</u>	
	<u>\$ 104,485</u>	

9. Deferred capital contributions related to equipment

	<u>2023</u>	<u>2022</u>
Balance, beginning of the year	\$ 334,984	\$ 362,322
Amortization of deferred contributions	<u>(26,621)</u>	<u>(27,338)</u>
	<u>\$ 308,363</u>	<u>\$ 334,984</u>

All deferred contributions are amortized at the same rate as the equipment to which they relate.

10. Risk management fund

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 55,347	\$ 55,347
Amounts received during the year	-	-
Recognized as revenue during the year	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 55,347</u>	<u>\$ 55,347</u>

The deferred contributions represent unspent funding received from a divestment paid from the Egg Farmers of Canada. The primary objective of this fund was to provide financial assistance to egg producers affected by certain industry risks.

11. Industrial product fund

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 22,025	\$ 15,524
Amounts received during the year	4,164	133,632
Recognized as revenue during the year	<u>(3,975)</u>	<u>(127,131)</u>
	<u>\$ 22,214</u>	<u>\$ 22,025</u>

Egg Farmers of Newfoundland and Labrador

Notes to the Financial Statements

December 31, 2023

11. Industrial product fund (continued)

The deferred contributions represent unspent internally restricted funding received that relates to a special provincial levy on producers to fund removal of surplus product.

12. Conventional to enriched transition and producer pricing fund

	<u>2023</u>	<u>2022</u>
Balance, beginning of the year	\$ 189,286	\$ 130,473
Amounts received during the year	194,432	106,506
Recognized as revenue during the year	<u>(51,569)</u>	<u>(47,694)</u>
	<u>\$ 332,149</u>	<u>\$ 189,285</u>

The deferred contributions represent internally restricted funding for a national program to support farming transition to enriched housing.

13. Supplemental cash flow information

	<u>2023</u>	<u>2022</u>
Change in non-cash operating working capital		
Receivables	\$ (310,180)	\$ (72,431)
Prepays	355	179
Payables and accruals	175,489	130,485
Deferred contributions		
- Industrial product fund	190	6,500
- CETPP fund	<u>142,864</u>	<u>58,812</u>
	<u>\$ 8,718</u>	<u>\$ 123,545</u>

14. Credit facilities

The Organization has a letter of credit with the Bank of Montreal of \$17,850 for the Egg Farmers of Canada.

15. National levy

During the year, the Egg Farmers of Newfoundland and Labrador levied the amount of \$3,500,679 (2022 - \$4,873,511) on behalf of the Egg Farmers of Canada.

Egg Farmers of Newfoundland and Labrador

Notes to the Financial Statements

December 31, 2023

16. Removal of surplus product

During the year, the Organization issued payments of \$13,899,293 (2022 - \$12,188,969) to the grading sector for the removal of surplus product and received payments of \$13,903,292 (2022 - \$12,191,970) from Egg Farmers of Canada relating to the same.

The amounts noted above include accounts payable and accounts receivable up to December 31, 2023.
