

JERSEY CANADA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

JERSEY CANADA

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YEAR ENDED DECEMBER 31, 2014

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Chartered Accountants
and Business Advisors

People Count.

INDEPENDENT AUDITOR'S REPORT

To the Members of: Jersey Canada

We have audited the accompanying financial statements of Jersey Canada, which comprise the statement of financial position as at December 31, 2014 and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Jersey Canada as at December 31, 2014 and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian accounting standards for not for profit organizations.

A handwritten signature in black ink that reads 'RLB LLP'.

Guelph, Ontario
February 25, 2015

Chartered Accountants
Licensed Public Accountants

JERSEY CANADA
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2014

	2014	2013
ASSETS		
CURRENT		
Short term investments	\$ 200,205	\$ 207,032
Accounts receivable	133,845	159,794
Inventory	7,323	8,928
Prepaid expenses	5,768	6,099
Due from Jersey Canada Youth Fund	<u>3,991</u>	<u>2,345</u>
	<u>351,132</u>	<u>384,198</u>
CAPITAL ASSETS (note 3)	<u>143,967</u>	<u>141,539</u>
ASSETS UNDER CAPITAL LEASE (note 4)	<u>9,117</u>	<u>15,195</u>
OTHER		
Registry system development cost	92,175	92,175
System enhancements	10,435	10,435
Less: accumulated amortization	<u>(102,610)</u>	<u>(102,610)</u>
	<u>0</u>	<u>0</u>
RESTRICTED JERSEY CANADA YOUTH FUND (note 5)		
Cash	4,570	4,543
Investments	39,546	36,670
Due to Jersey Canada General Fund	<u>(3,991)</u>	<u>(2,345)</u>
	<u>40,125</u>	<u>38,868</u>
	<u>\$ 544,341</u>	<u>\$ 579,800</u>
LIABILITIES		
CURRENT		
Bank overdraft (note 11)	\$ 20,284	\$ 18,499
Accounts payable and accrued liabilities	58,499	38,999
Government remittances payable	3,706	6,480
Prepaid subscription revenue (note 10)	5,875	13,451
Registry advances (note 10)	13,673	16,038
Deferred government grant (note 10)	8,269	22,250
Current portion of capital lease obligation (note 8)	<u>7,306</u>	<u>7,306</u>
	117,612	123,023
CAPITAL LEASE OBLIGATION (note 8)	<u>4,624</u>	<u>10,082</u>
	<u>122,236</u>	<u>133,105</u>
NET ASSETS		
Net assets invested in capital assets	135,696	139,346
Restricted for Jersey Canada Youth	40,125	38,868
Unrestricted net assets	<u>246,284</u>	<u>268,481</u>
	<u>422,105</u>	<u>446,695</u>
	<u>\$ 544,341</u>	<u>\$ 579,800</u>

APPROVED ON BEHALF OF THE BOARD:

_____ Director

_____ Director

JERSEY CANADA**STATEMENT OF CHANGES IN NET ASSETS****FOR THE YEARS ENDED DECEMBER 31, 2014**

	Invested in Capital Assets	Internally Restricted for Jersey Canada Youth	Unrestricted	Total 2014	Total 2013
BALANCE , beginning of year	\$ 139,346	\$ 38,868	\$ 268,481	\$ 446,695	\$ 431,998
(Shortfall) surplus for the year	(12,625)	1,257	(13,222)	(24,590)	14,697
Invested in capital assets	<u>8,975</u>	<u>0</u>	<u>(8,975)</u>	<u>0</u>	<u>0</u>
BALANCE , end of year	<u>\$ 135,696</u>	<u>\$ 40,125</u>	<u>\$ 246,284</u>	<u>\$ 422,105</u>	<u>\$ 446,695</u>

JERSEY CANADA
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2014

	2014 BUDGET (note 7)	2014 ACTUAL	2013 ACTUAL
REVENUES			
D.N.A. testing	\$ 18,000	\$ 17,045	\$ 17,770
Market development	4,000	3,359	10,149
Commission	0	0	170
Interest on overdue accounts	13,000	8,814	19,762
Investment income (note 9)	3,000	8,626	267
Pedigrees / catalogues / reports	9,000	6,098	7,500
Registrations, transfers and memberships	347,000	318,633	335,399
Rental	2,400	2,372	2,372
Magazine / publications revenues (schedule 2)	130,500	153,479	128,095
Government grant - amortized capital purchases	0	326	5,529
Other	100	193	405
	<u>527,000</u>	<u>518,945</u>	<u>527,418</u>
EXPENSES			
Administration (schedule 1)	102,004	118,786	92,743
D.N.A. testing	15,000	15,281	16,483
RAWF activities	9,000	13,304	10,636
Building (schedule 1)	30,420	30,475	29,739
Magazine / publications expenses (schedule 2)	99,000	102,804	107,793
Meetings (schedule 1)	25,000	31,864	24,886
Pedigrees / catalogues / reports	100	17	42
Salaries and benefits (schedule 1)	157,000	142,659	151,738
National extension program	45,000	43,636	44,677
Staff travel	14,000	9,174	9,720
Special grants and memberships	2,500	1,673	1,552
CDN contributions	3,500	3,500	1,400
Market development	20,000	19,736	8,318
	<u>522,524</u>	<u>532,909</u>	<u>499,727</u>
SURPLUS (SHORTFALL) before the following:	<u>4,476</u>	<u>(13,964)</u>	<u>27,691</u>
Amortization (schedule 1)	(11,400)	(12,625)	(14,082)
Gain on foreign exchange	500	742	287
	<u>(10,900)</u>	<u>(11,883)</u>	<u>(13,795)</u>
(SHORTFALL) SURPLUS from operations for the year	(6,424)	(25,847)	13,896
JERSEY CANADA YOUTH FUND SURPLUS (note 5)	<u>0</u>	<u>1,257</u>	<u>801</u>
(SHORTFALL) SURPLUS for the year	<u>\$ (6,424)</u>	<u>\$ (24,590)</u>	<u>\$ 14,697</u>

JERSEY CANADA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014

	2014	2013
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
(Shortfall) surplus for the year from operations	\$ (24,590)	\$ 14,697
Add items not requiring an outlay of cash		
Amortization	<u>12,625</u>	<u>14,082</u>
	<u>(11,965)</u>	<u>28,779</u>
Changes in non-cash working capital balances related to operations:		
Accounts receivable	25,949	(7,003)
Investments - Youth Fund	(1,646)	331
Inventory	1,605	3,362
Prepaid expenses	331	(185)
Short term investments	6,827	(40,756)
Restricted Jersey Canada Youth Fund	(1,257)	(801)
Accounts payable and accrued liabilities	19,501	(48,621)
Government remittances	(2,775)	1,613
Prepaid subscriptions	(5,182)	1,607
Registry advances	(2,365)	109
Deferred government grant	<u>(16,375)</u>	<u>11,263</u>
	<u>24,613</u>	<u>(79,081)</u>
	<u>12,648</u>	<u>(50,302)</u>
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		
Capital lease obligation	<u>(5,458)</u>	<u>17,387</u>
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Purchase of capital assets	<u>(8,975)</u>	<u>18,234</u>
DECREASE IN CASH for the year	(1,785)	(51,149)
(BANK OVERDRAFT) CASH, beginning of year	<u>(18,499)</u>	<u>32,650</u>
BANK OVERDRAFT, end of year	<u>\$ (20,284)</u>	<u>\$ (18,499)</u>

JERSEY CANADA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

1. PURPOSE OF ASSOCIATION

Jersey Canada is a not for profit organization whose mission is to increase the profitability of Jersey owners and to enhance the footprint of Canadian Jerseys. The association is incorporated under the Canada Companies Act and is exempt from tax under Section 149 (1)(e) of the Income Tax Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian accounting standards for not for profit organizations and include the following significant accounting policies:

(a) REVENUE RECOGNITION

The association follows the restricted fund method of accounting for contributions. Restricted contributions related to general operations are recognized as revenue of the Unrestricted Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate fund.

Unrestricted contributions are recognized as revenue of the Unrestricted Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

(b) INVENTORY

Inventory is recorded at the lower of cost and net realizable value. Cost is calculated on the first in, first out basis.

(c) CAPITAL ASSETS

Capital asset purchases are recorded at cost. Amortization is recorded using the declining balance method at the following rates:

Office furniture and fixtures	- 20% declining balance basis
Computer equipment	- 30% declining balance basis
Building	- 2.5% declining balance basis
Model cow mould	- 5 years straight-line
Computer software	- 20% declining balance basis
Computer equipment under capital lease	- 3 years straight-line

(d) IMPAIRMENT OF LONG LIVED ASSETS

Long lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

(e) REGISTRY DEVELOPMENT COSTS

Registry development costs and system enhancements are recorded at cost. Amortization is claimed on a straight line basis at a rate of 20% per year. In 2008, the new registry system was installed and began being used in operations. The cost has been reallocated to capital assets from registry development costs, and the amortization has been recorded in this fiscal year. As at December 31, 2006, the previous system was fully amortized but still in use.

JERSEY CANADA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) FINANCIAL INSTRUMENTS

Measurement of financial instruments

The organization initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments, which are measured at fair value. Changes in fair value are recognized in net surplus.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include the accounts payable and accrued liabilities, prepaid subscription revenue and registry advances.

The organization's financial assets measured at fair value include all term investments.

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. If an impairment has occurred, the carrying amount of financial assets measured at amortized cost is reduced to the greater of the discounted future cash flows expected or the proceeds that could be realized from the sale of the financial asset. The amount of the write-down is recognized in net surplus. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net surplus.

Transaction costs

The organization recognizes its transaction costs in net surplus in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

(g) USE OF ESTIMATES

The preparation of financial statements in conformity with Canadian accounting standards for not for profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. The principal estimates used in the preparation of these financial statements are the determination of the estimated useful lives of capital assets and accrued charges. Actual results could differ from those estimates.

JERSEY CANADA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

3. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 2014	Net 2013
Office furniture and fixtures	\$ 41,220	\$ 38,144	\$ 3,076	\$ 3,845
Computer equipment	92,177	82,149	10,028	3,476
Building	240,992	110,129	130,863	134,218
Model cow mould	11,000	11,000	0	0
Computer software	<u>42,175</u>	<u>42,175</u>	<u>0</u>	<u>0</u>
	<u>\$ 427,564</u>	<u>\$ 283,597</u>	<u>\$ 143,967</u>	<u>\$ 141,539</u>

4. CAPITAL ASSETS UNDER CAPITAL LEASE

	Cost	Accumulated Amortization	Net 2014	Net 2013
Computer equipment	<u>\$ 18,234</u>	<u>\$ 9,117</u>	<u>\$ 9,117</u>	<u>\$ 15,195</u>

5. RESERVE FUNDS

Jersey Canada Youth Fund is an internally restricted fund. The fund's purpose is to encourage youth programs to involve and encourage young people to work with Jersey cattle within Canada. The following is the fund's continuity for the past two years:

	2014	2013
BALANCE, beginning of year	\$ <u>38,868</u>	\$ <u>38,067</u>
ADD: Revenue	5,690	7,144
LESS: Expenses	<u>4,433</u>	<u>6,343</u>
	<u>1,257</u>	<u>801</u>
BALANCE, end of year	<u>\$ 40,125</u>	<u>\$ 38,868</u>

6. LEASE OBLIGATIONS AND COMMITMENTS

The association is committed to paying monthly condominium fees for the office building, estimated at \$865/month, and equipment under operating lease at \$298/month, expiring May 31, 2016. With the ABRI system, the association is committed to paying an annual licensing fee of \$3,500, as well as as quarterly operation and maintenance charges at \$5,226/quarter, expiring December 31, 2017. Future minimum lease and commitment payments are estimated as follows:

2015	\$ 38,922
2016	39,931
2017	38,441
2018	10,377
2019	<u>10,377</u>
	<u>\$ 138,048</u>

7. BUDGET FIGURES

The budgeted figures are presented for comparison purposes as prepared and approved by the Board of Directors, reclassified to conform to the current financial statement presentation. They have not been audited or reviewed by the auditor.

JERSEY CANADA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

8. OBLIGATIONS UNDER CAPITAL LEASES

	2014	2013
Obligation under a capital lease for a server workstation with payments of \$608.80 monthly, with imputed interest at the rate of 12.362%, maturing in October 2016, secured by equipment	\$ 11,930	\$ 17,388
Less cash repayments required within 12 months	<u>7,306</u>	<u>7,306</u>
	<u>\$ 4,624</u>	<u>\$ 10,082</u>

Future minimum payments on capital lease obligations are as follows:

2015	\$ 7,306
2016	<u>6,088</u>
	13,394
Imputed interest	<u>(1,464)</u>
	<u>\$ 11,930</u>

9. INVESTMENT INCOME

Investment income is comprised of the following components:

	2014	2013
Interest income	\$ 10,276	\$ 2,260
Unrealized (loss) gain on investments	<u>(1,650)</u>	<u>(1,993)</u>
	<u>\$ 8,626</u>	<u>\$ 267</u>

10. RESTRICTED CONTRIBUTIONS

During the year, there were multiple restricted contributions recognized in the general fund. Further, there were also contributions received which were not utilized and, therefore, are restricted contributions at year end. Activity in the year is as follows:

	Opening Balance	Additions	Contributions Recognized	Closing Balance
Deferred government grant	\$ 22,250	\$ 25,188	\$ 39,169	\$ 8,269
Registry advances	16,038	13,673	16,038	13,673
Prepaid subscription revenue	<u>13,451</u>	<u>5,875</u>	<u>13,451</u>	<u>5,875</u>
	<u>\$ 51,739</u>	<u>\$ 44,736</u>	<u>\$ 68,658</u>	<u>\$ 27,817</u>

11. BANK OVERDRAFT

Jersey Canada has a TD business line of credit on their Canadian business chequing account up to a maximum of \$50,000, with an interest rate of prime plus 3.85% per annum. At year end, they have utilized \$18,811 (2013 - \$24,445).

JERSEY CANADA**EXPENSES***Schedule 1***FOR THE YEAR ENDED DECEMBER 31, 2014**

	2014 BUDGET (note 7)	2014 ACTUAL	2013 ACTUAL
ADMINISTRATION			
Bad debts	\$ 500	\$ 21,817	\$ 433
Bank, interest and credit charges	8,500	12,144	9,284
Operating leases	11,604	4,342	5,243
Computer maintenance	2,000	3,081	1,949
ABRI technical support	22,000	21,857	24,066
Professional fees	10,000	8,198	7,650
Internet	1,500	1,847	0
Office	14,000	13,577	11,494
Postage, fax and courier	13,500	13,482	13,572
Subscription	500	26	483
Telephone	6,000	5,546	4,985
Insurance	5,400	5,301	5,360
Staff training	1,000	1,793	133
Translation	3,500	2,275	4,591
ABRI license	<u>3,500</u>	<u>3,500</u>	<u>3,500</u>
	<u>\$ 103,504</u>	<u>\$ 118,786</u>	<u>\$ 92,743</u>
BUILDING			
Condominium costs	\$ 10,000	\$ 9,231	\$ 9,105
Insurance	1,500	1,386	1,386
Janitor	1,920	1,920	1,920
Light, heat and water	4,000	3,834	3,770
Maintenance	1,000	1,401	1,257
Taxes	<u>12,000</u>	<u>12,703</u>	<u>12,301</u>
	<u>\$ 30,420</u>	<u>\$ 30,475</u>	<u>\$ 29,739</u>
MEETINGS			
Annual and mid-year meetings	\$ 23,600	\$ 30,856	\$ 23,834
President's travel	1,000	536	0
Committee and special meetings	<u>400</u>	<u>472</u>	<u>1,052</u>
	<u>\$ 25,000</u>	<u>\$ 31,864</u>	<u>\$ 24,886</u>
SALARIES AND BENEFITS			
Benefit plan	\$ 5,600	\$ 4,478	\$ 5,330
Canada pension plan	6,400	5,934	9,481
Salaries	139,300	127,846	128,868
Subcontract	1,000	83	987
Employment insurance	3,200	2,917	4,877
Workplace safety insurance	<u>1,500</u>	<u>1,401</u>	<u>2,195</u>
	<u>\$ 157,000</u>	<u>\$ 142,659</u>	<u>\$ 151,738</u>
AMORTIZATION			
Building	\$ 3,400	\$ 3,355	\$ 3,441
Furniture and fixtures	500	769	961
Computer	7,500	8,501	4,619
Registry system development cost	<u>0</u>	<u>0</u>	<u>5,061</u>
	<u>\$ 11,400</u>	<u>\$ 12,625</u>	<u>\$ 14,082</u>

See notes to the financial statements

JERSEY CANADA**MAGAZINE/PUBLICATIONS REVENUES AND EXPENSES***Schedule 2***FOR THE YEAR ENDED DECEMBER 31, 2014**

	2014 BUDGET (note 7)	2014 ACTUAL	2013 ACTUAL
REVENUES			
Advertising, photographs, and colour separations	\$ 75,500	\$ 68,030	\$ 72,227
Less: Discounts	<u>(4,500)</u>	<u>(10,076)</u>	<u>(2,830)</u>
	71,000	57,954	69,397
All Canadian	5,000	5,160	4,105
Internet	6,500	4,420	6,090
Publication grant revenue	0	41,239	7,743
Membership subscriptions	31,500	30,330	30,390
Subscriptions	<u>16,500</u>	<u>14,376</u>	<u>10,370</u>
	<u>130,500</u>	<u>153,479</u>	<u>128,095</u>
EXPENSES			
All Canadian	1,000	471	603
Internet services	0	55	5,986
Freelance/translation	5,700	5,772	4,768
Postage	11,900	12,698	14,480
Printing, photographs, and colour separations	30,800	31,752	36,963
Salary and benefits	45,000	51,075	43,174
Telephone	600	616	523
Travel	<u>2,500</u>	<u>365</u>	<u>1,296</u>
	<u>97,500</u>	<u>102,804</u>	<u>107,793</u>
NET REVENUES OVER EXPENSES for magazine and publications	\$ <u>33,000</u>	\$ <u>50,675</u>	\$ <u>20,302</u>