

JERSEY CANADA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

JERSEY CANADA

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YEAR ENDED DECEMBER 31, 2015

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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, 2015 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, 2015 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
March 3, 2016

Chartered Professional Accountants
Licensed Public Accountants

JERSEY CANADA
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2015

	2015	2014
ASSETS		
CURRENT		
Cash	\$ 5,009	\$ 0
Short term investments	207,395	200,205
Accounts receivable	72,348	133,845
Inventory	6,245	7,323
Prepaid expenses	8,524	5,768
Due from Jersey Canada Youth Fund, interest free, unsecured	<u>6,361</u>	<u>3,991</u>
	<u>305,882</u>	<u>351,132</u>
CAPITAL ASSETS (note 3)	<u>137,860</u>	<u>143,967</u>
ASSETS UNDER CAPITAL LEASE (note 4)	<u>3,038</u>	<u>9,117</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	0	4,570
Investments	43,402	39,546
Due from Jersey Canada Youth Fund, interest free, unsecured	<u>(6,361)</u>	<u>(3,991)</u>
	<u>37,041</u>	<u>40,125</u>
	<u>\$ 483,821</u>	<u>\$ 544,341</u>
LIABILITIES		
CURRENT		
Bank overdraft (note 11)	\$ 0	\$ 20,284
Accounts payable and accrued liabilities	47,122	57,879
Government remittances payable	9,629	4,326
Prepaid subscription revenue (note 10)	8,285	8,269
Registry advances (note 10)	38,605	13,673
Deferred government grant (note 10)	782	5,875
Current portion of capital lease obligation (note 8)	<u>5,757</u>	<u>7,306</u>
	110,180	117,612
CAPITAL LEASE OBLIGATION (note 8)	<u>0</u>	<u>4,624</u>
	<u>110,180</u>	<u>122,236</u>
NET ASSETS		
Net assets invested in capital assets	134,359	135,279
Restricted for Jersey Canada Youth	37,041	40,125
Unrestricted net assets	<u>202,241</u>	<u>246,701</u>
	<u>373,641</u>	<u>422,105</u>
	<u>\$ 483,821</u>	<u>\$ 544,341</u>

APPROVED ON BEHALF OF THE BOARD:

Director

Director

See notes to the financial statements

JERSEY CANADA

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEARS ENDED DECEMBER 31, 2015

	Invested in Capital Assets	Internally Restricted for Jersey Canada Youth	Unrestricted	Total 2015	Total 2014
BALANCE , beginning of year	\$ 135,279	\$ 40,125	\$ 246,701	\$ 422,105	\$ 446,695
Shortfall for the year	(7,093)	(3,084)	(38,287)	(48,464)	(24,590)
Payment of capital lease obligation	<u>6,173</u>	<u>0</u>	<u>(6,173)</u>	<u>0</u>	<u>0</u>
BALANCE , end of year	<u>\$ 134,359</u>	<u>\$ 37,041</u>	<u>\$ 202,241</u>	<u>\$ 373,641</u>	<u>\$ 422,105</u>

JERSEY CANADA
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2015

	2015 BUDGET (note 7)	2015 ACTUAL	2014 ACTUAL
REVENUES			
D.N.A. testing	\$ 17,000	\$ 20,650	\$ 17,045
Market development	4,118	4,627	3,359
Commission	0	642	0
Interest on overdue accounts	8,000	4,434	8,814
Investment income (note 9)	8,500	7,763	8,626
Pedigrees / catalogues / reports	6,000	5,664	6,098
Registrations, transfers and memberships	320,000	332,759	318,633
Rental	2,372	2,372	2,372
Magazine / publications revenues (schedule 2)	118,157	136,778	153,479
Government grant - amortized capital purchases	0	236	326
Other	<u>100</u>	<u>217</u>	<u>193</u>
	<u>484,247</u>	<u>516,142</u>	<u>518,945</u>
EXPENSES			
Administration (schedule 1)	92,900	145,021	118,786
D.N.A. testing	14,000	14,477	15,281
RAWF activities	9,500	10,520	13,304
Building (schedule 1)	30,820	34,702	30,475
Magazine / publications expenses (schedule 2)	103,200	102,126	102,804
Meetings (schedule 1)	21,200	33,254	31,864
Pedigrees / catalogues / reports	25	63	17
Salaries and benefits (schedule 1)	145,500	142,257	142,659
National extension program	45,000	43,318	43,636
Staff travel	11,000	6,537	9,174
Special grants and memberships	2,000	1,804	1,673
CDN contributions	1,000	1,000	3,500
Market development	<u>13,100</u>	<u>16,660</u>	<u>19,736</u>
	<u>489,245</u>	<u>551,739</u>	<u>532,909</u>
SHORTFALL before the following:	<u>(4,998)</u>	<u>(35,597)</u>	<u>(13,964)</u>
Amortization (schedule 1)	(12,000)	(12,185)	(12,625)
Gain on foreign exchange	<u>500</u>	<u>2,402</u>	<u>742</u>
	<u>(11,500)</u>	<u>(9,783)</u>	<u>(11,883)</u>
SHORTFALL from operations for the year	(16,498)	(45,380)	(25,847)
JERSEY CANADA YOUTH FUND (SHORTFALL) SURPLUS (note 5)	<u>0</u>	<u>(3,084)</u>	<u>1,257</u>
SHORTFALL for the year	<u>\$ (16,498)</u>	<u>\$ (48,464)</u>	<u>\$ (24,590)</u>

JERSEY CANADA**STATEMENT OF CASH FLOWS****FOR THE YEAR ENDED DECEMBER 31, 2015**

	2015	2014
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Shortfall for the year from operations	\$ (48,464)	\$ (24,590)
Add items not requiring an outlay of cash		
Amortization	<u>12,184</u>	<u>12,625</u>
	<u>(36,280)</u>	<u>(11,965)</u>
Changes in non-cash working capital balances related to operations:		
Accounts receivable	61,497	25,949
Due from Jersey Canada Youth Fund	(2,370)	(1,646)
Inventory	1,078	1,605
Prepaid expenses	(2,756)	331
Short term investments	(7,190)	6,827
Restricted Jersey Canada Youth Fund	3,084	(1,257)
Accounts payable and accrued liabilities	(10,757)	19,501
Government remittances	5,305	(2,775)
Prepaid subscriptions	16	(5,182)
Registry advances	24,932	(2,365)
Deferred government grant	<u>(5,093)</u>	<u>(16,375)</u>
	<u>67,746</u>	<u>24,613</u>
	<u>31,466</u>	<u>12,648</u>
CASH (USED IN) FINANCING ACTIVITIES		
Capital lease obligation	<u>(6,173)</u>	<u>(5,458)</u>
CASH PROVIDED BY INVESTING ACTIVITIES		
Purchase of capital assets	<u>0</u>	<u>8,975</u>
INCREASE (DECREASE) IN CASH for the year	25,293	(1,785)
BANK OVERDRAFT, beginning of year	<u>(20,284)</u>	<u>(18,499)</u>
CASH (BANK OVERDRAFT), end of year	<u>\$ 5,009</u>	<u>\$ (20,284)</u>

JERSEY CANADA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

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 replacement cost. 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.

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, registry advances, and deferred government grant.

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, 2015

3. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 2015	Net 2014
Office furniture and fixtures	\$ 41,220	\$ 38,759	\$ 2,461	\$ 3,076
Computer equipment	92,177	84,369	7,808	10,028
Building	240,992	113,401	127,591	130,863
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>\$ 289,704</u>	<u>\$ 137,860</u>	<u>\$ 143,967</u>

4. CAPITAL ASSETS UNDER CAPITAL LEASE

	Cost	Accumulated Amortization	Net 2015	Net 2014
Computer equipment	<u>\$ 18,234</u>	<u>\$ 15,196</u>	<u>\$ 3,038</u>	<u>\$ 9,117</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:

	2015	2014
BALANCE, beginning of year	\$ <u>40,125</u>	\$ <u>38,868</u>
ADD: Revenue	5,665	5,690
LESS: Expenses	<u>8,749</u>	<u>4,433</u>
	<u>(3,084)</u>	<u>1,257</u>
BALANCE, end of year	<u>\$ 37,041</u>	<u>\$ 40,125</u>

6. LEASE OBLIGATIONS AND COMMITMENTS

The association is committed to paying monthly condominium fees for the office building, estimated at \$801/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:

2016	\$ 40,842
2017	38,922
2018	10,858
2019	10,858
2020	<u>10,858</u>
	<u>\$ 112,338</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, 2015****8. OBLIGATION UNDER CAPITAL LEASE**

	2015	2014
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	\$ 5,757	\$ 11,930
Less cash repayments required within 12 months	<u>5,757</u>	<u>7,306</u>
	<u>\$ 0</u>	<u>\$ 4,624</u>

Future minimum payments on capital lease obligations are as follows:

2016	\$ 6,088
Imputed interest	<u>(331)</u>
	<u>\$ 5,757</u>

9. INVESTMENT INCOME

Investment income is comprised of the following components:

	2015	2014
Interest income	\$ 7,023	\$ 10,276
Unrealized gain (loss) on investments	<u>740</u>	<u>(1,650)</u>
	<u>\$ 7,763</u>	<u>\$ 8,626</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	\$ 5,875	\$ 27,828	\$ 32,921	\$ 782
Registry advances	13,673	38,605	13,673	38,605
Prepaid subscription revenue	<u>8,269</u>	<u>8,285</u>	<u>8,269</u>	<u>8,285</u>
	<u>\$ 27,817</u>	<u>\$ 74,718</u>	<u>\$ 54,863</u>	<u>\$ 47,672</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, unsecured, with an interest rate of prime plus 3.85% per annum. At year end, they have utilized \$0 (2014 - \$18,811).

12. COMPARATIVE FIGURES

Certain figures presented for corresponding purposes have been reclassified to conform to the current year's presentation.

JERSEY CANADA**EXPENSES***Schedule 1***FOR THE YEAR ENDED DECEMBER 31, 2015**

	2015 BUDGET (note 7)	2015 ACTUAL	2014 ACTUAL
ADMINISTRATION			
Bad debts	\$ 1,500	\$ 48,101	\$ 21,817
Bank, interest and credit charges	9,000	10,685	12,144
Commission on collections	0	2,607	0
Operating leases	5,000	3,974	4,342
Computer maintenance	3,000	3,759	3,081
ABRI technical support	22,000	24,396	21,857
Professional fees	8,000	7,000	8,198
Internet	0	1,661	1,847
Office	12,500	12,248	13,577
Postage, fax and courier	14,000	13,558	13,482
Subscription	500	145	26
Telephone	5,000	5,991	5,546
Insurance	5,400	5,262	5,301
Staff training	1,000	794	1,793
Translation	2,500	1,340	2,275
ABRI license	<u>3,500</u>	<u>3,500</u>	<u>3,500</u>
	<u>\$ 92,900</u>	<u>\$ 145,021</u>	<u>\$ 118,786</u>
BUILDING			
Condominium costs	\$ 10,000	\$ 9,420	\$ 9,231
Insurance	1,400	1,541	1,386
Janitor	1,920	1,920	1,920
Light, heat and water	4,000	3,976	3,834
Maintenance	1,000	4,675	1,401
Taxes	<u>12,500</u>	<u>13,170</u>	<u>12,703</u>
	<u>\$ 30,820</u>	<u>\$ 34,702</u>	<u>\$ 30,475</u>
MEETINGS			
Annual and mid-year meetings	\$ 20,000	\$ 30,892	\$ 30,856
President's travel	500	1,863	536
Committee and special meetings	<u>700</u>	<u>499</u>	<u>472</u>
	<u>\$ 21,200</u>	<u>\$ 33,254</u>	<u>\$ 31,864</u>
SALARIES AND BENEFITS			
Benefit plan	\$ 4,500	\$ 4,494	\$ 4,478
Canada pension plan	6,000	5,750	5,934
Salaries	130,600	126,883	127,846
Subcontract	0	0	83
Employment insurance	3,000	2,904	2,917
Workplace safety insurance	<u>1,400</u>	<u>2,226</u>	<u>1,401</u>
	<u>\$ 145,500</u>	<u>\$ 142,257</u>	<u>\$ 142,659</u>
AMORTIZATION			
Building	\$ 3,000	\$ 3,272	\$ 3,355
Furniture and fixtures	600	615	769
Computer	<u>8,400</u>	<u>8,298</u>	<u>8,501</u>
	<u>\$ 12,000</u>	<u>\$ 12,185</u>	<u>\$ 12,625</u>

See notes to the financial statements

JERSEY CANADA**MAGAZINE/PUBLICATIONS REVENUES AND EXPENSES***Schedule 2***FOR THE YEAR ENDED DECEMBER 31, 2015**

	2015 BUDGET (note 7)	2015 ACTUAL	2014 ACTUAL
REVENUES			
Advertising, photographs, and colour separations	\$ 60,800	\$ 56,752	\$ 68,030
Less: Discounts	<u>0</u>	<u>(5,761)</u>	<u>(10,076)</u>
	60,800	50,991	57,954
All Canadian	5,000	5,160	5,160
Internet	4,500	7,464	4,420
Publication grant revenue	4,857	32,685	41,239
Membership subscriptions	30,000	30,150	30,330
Subscriptions	<u>13,000</u>	<u>10,328</u>	<u>14,376</u>
	<u>118,157</u>	<u>136,778</u>	<u>153,479</u>
EXPENSES			
All Canadian	500	459	471
Internet services	2,100	0	55
Freelance/translation	5,500	5,446	5,772
Postage	12,700	11,746	12,698
Printing, photographs, and colour separations	30,800	33,276	31,752
Salary and benefits	50,000	49,782	51,075
Telephone	600	620	616
Travel	<u>1,000</u>	<u>797</u>	<u>365</u>
	<u>103,200</u>	<u>102,126</u>	<u>102,804</u>
NET REVENUES OVER EXPENSES for magazine and publications	<u>\$ 14,957</u>	<u>\$ 34,652</u>	<u>\$ 50,675</u>