

JERSEY CANADA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

JERSEY CANADA

INDEX TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

	Page
INDEPENDENT AUDITOR'S REPORT	3
FINANCIAL STATEMENTS	
Statement of Financial Position	4
Statement of Changes in Net Assets	5
Statement of Operations	6
Statement of Cash Flows	7
Notes to the Financial Statements	8 - 12
Schedule of Expenses	13
Schedule of Magazine/Publications Revenues and Expenses	14

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, 2013 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, 2013 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.

Guelph, Ontario

Chartered Accountants
Licensed Public Accountants

JERSEY CANADA
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2013

	2013	2012
ASSETS		
CURRENT		
Cash	\$ 0	\$ 32,650
Short term investments	207,032	166,276
Accounts receivable	159,794	152,791
Inventory	8,928	12,290
Prepaid expenses	6,099	5,914
Due from Jersey Canada Youth Fund	<u>2,345</u>	<u>2,676</u>
	<u>384,198</u>	<u>372,597</u>
CAPITAL ASSETS (note 3)	<u>141,539</u>	<u>152,582</u>
ASSETS UNDER CAPITAL LEASE (note 4)	<u>15,195</u>	<u>0</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	4,543	3,511
Investments	36,670	37,232
Due to Jersey Canada General Fund	<u>(2,345)</u>	<u>(2,676)</u>
	<u>38,868</u>	<u>38,067</u>
	<u>\$ 579,800</u>	<u>\$ 563,246</u>
LIABILITIES		
CURRENT		
Bank overdraft (note 11)	\$ 18,499	\$ 0
Accounts payable and accrued liabilities	38,999	87,621
Government remittances payable	6,480	4,867
Prepaid subscription revenue (note 10)	13,451	11,844
Registry advances (note 10)	16,038	15,929
Deferred government grant (note 10)	22,250	10,987
Current portion of capital lease obligation (note 8)	<u>7,306</u>	<u>0</u>
	<u>123,023</u>	<u>131,248</u>
CAPITAL LEASE OBLIGATION (note 8)	<u>10,082</u>	<u>0</u>
	<u>133,105</u>	<u>131,248</u>
NET ASSETS		
Net assets invested in capital assets	139,346	152,582
Restricted for Jersey Canada Youth	38,868	38,067
Unrestricted net assets	<u>268,481</u>	<u>241,349</u>
	<u>446,695</u>	<u>431,998</u>
	<u>\$ 579,800</u>	<u>\$ 563,246</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, 2013**

	Invested in Capital Assets	Internally Restricted for Jersey Canada Youth	Unrestricted	Total 2013	Total 2012
BALANCE , beginning of year	\$ 152,582	\$ 38,067	\$ 241,349	\$ 431,998	\$ 509,981
(Shortfall) surplus for the year	(14,082)	801	27,978	14,697	(77,983)
Invested in capital assets	<u>846</u>	<u>0</u>	<u>(846)</u>	<u>0</u>	<u>0</u>
BALANCE , end of year	<u>\$ 139,346</u>	<u>\$ 38,868</u>	<u>\$ 268,481</u>	<u>\$ 446,695</u>	<u>\$ 431,998</u>

JERSEY CANADA
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2013

	2013 BUDGET (note 7)	2013 ACTUAL	2012 ACTUAL
REVENUES			
D.N.A. testing	\$ 23,000	\$ 17,770	\$ 24,430
Market development	4,000	10,149	5,453
Commission	2,000	170	914
Interest on overdue accounts	13,000	19,762	17,347
Investment income (note 9)	5,500	267	4,992
Pedigrees / catalogues / reports	9,000	7,500	7,302
Registrations, transfers and memberships	334,300	335,399	308,478
Rental	2,400	2,372	2,372
Magazine/publications revenues (schedule 2)	156,100	128,095	135,453
Government grant - amortized capital purchases	0	5,529	9,129
Other	100	405	54
	<u>549,400</u>	<u>527,418</u>	<u>515,924</u>
EXPENSES			
Administration (schedule 1)	99,300	92,743	92,730
D.N.A. testing	20,000	16,483	21,678
RAWF activities	10,000	10,636	7,140
Building (schedule 1)	31,620	29,739	31,951
Magazine / publications expenses (schedule 2)	121,240	107,793	137,948
Meetings (schedule 1)	33,220	24,886	31,555
Pedigrees / catalogues / reports	100	42	19
Salaries and benefits (schedule 1)	132,477	151,738	155,359
National extension program	50,000	44,677	41,786
Staff travel	15,000	9,720	16,791
Special grants and memberships	2,500	1,552	2,081
CDN contributions	1,000	1,400	1,000
Market development	37,850	8,318	37,208
	<u>554,307</u>	<u>499,727</u>	<u>577,246</u>
(SHORTFALL) SURPLUS before the following:	<u>(4,907)</u>	<u>27,691</u>	<u>(61,322)</u>
Amortization (schedule 1)	(10,900)	(14,082)	(16,599)
Gain (loss) on foreign exchange	500	287	(259)
	<u>(10,400)</u>	<u>(13,795)</u>	<u>(16,858)</u>
(SHORTFALL) SURPLUS from operations for the year	(15,307)	13,896	(78,180)
JERSEY CANADA YOUTH FUND SURPLUS (note 5)	<u>0</u>	<u>801</u>	<u>197</u>
(SHORTFALL) SURPLUS for the year	<u>\$ (15,307)</u>	<u>\$ 14,697</u>	<u>\$ (77,983)</u>

JERSEY CANADA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013

	2013	2012
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Surplus (shortfall) for the year from operations	\$ 14,697	\$ (77,983)
Add items not requiring an outlay of cash		
Amortization	<u>14,082</u>	<u>16,599</u>
	<u>28,779</u>	<u>(61,384)</u>
Changes in non-cash working capital balances related to operations:		
Accounts receivable	(7,003)	(12,262)
Investments - Youth Fund	331	(839)
Inventory	3,362	(241)
Prepaid expenses	(185)	2,669
Short term investments	(40,756)	68,183
Restricted Jersey Canada Youth Fund	(801)	(197)
Accounts payable and accrued liabilities	(48,621)	43,781
Government remittances	1,613	(2,055)
Prepaid subscriptions	1,607	442
Registry advances	109	4,125
Deferred government grant	<u>11,263</u>	<u>(9,129)</u>
	<u>(79,081)</u>	<u>94,477</u>
	<u>(50,302)</u>	<u>33,093</u>
CASH PROVIDED BY FINANCING ACTIVITIES		
Capital lease obligation	<u>17,387</u>	<u>0</u>
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Purchase of capital assets	<u>(18,234)</u>	<u>0</u>
(DECREASE) INCREASE IN CASH for the year	(51,149)	33,093
CASH (BANK OVERDRAFT), beginning of year	<u>32,650</u>	<u>(443)</u>
(BANK OVERDRAFT) CASH, end of year	<u>\$ (18,499)</u>	<u>\$ 32,650</u>

JERSEY CANADA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

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.

JERSEY CANADA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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, 2013

3. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 2013	Net 2012
Office furniture and fixtures	\$ 41,220	\$ 37,375	\$ 3,845	\$ 4,806
Computer equipment	83,202	79,726	3,476	5,056
Building	240,992	106,774	134,218	137,659
Model cow mould	11,000	11,000	0	0
Computer software	<u>42,175</u>	<u>42,175</u>	<u>0</u>	<u>5,061</u>
	<u>\$ 418,589</u>	<u>\$ 277,050</u>	<u>\$ 141,539</u>	<u>\$ 152,582</u>

4. CAPITAL ASSETS UNDER CAPITAL LEASE

	Cost	Accumulated Amortization	Net 2013	Net 2012
Computer equipment	<u>\$ 18,234</u>	<u>\$ 3,039</u>	<u>\$ 15,195</u>	<u>\$ 0</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:

	2013	2012
BALANCE, beginning of year	\$ <u>38,067</u>	\$ <u>37,870</u>
ADD: Revenue	7,144	3,729
LESS: Expenses	<u>6,343</u>	<u>3,532</u>
	<u>801</u>	<u>197</u>
BALANCE, end of year	\$ <u>38,868</u>	\$ <u>38,067</u>

6. LEASE OBLIGATIONS AND COMMITMENTS

The association is committed to paying monthly condominium fees for the office building, estimated at \$846/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 quarterly operation and maintenance charges at \$4,352/quarter, expiring December 31, 2014. Future minimum lease and commitment payments are estimated as follows:

2014	\$ 37,153
2015	13,723
2016	11,637
2017	<u>10,147</u>
	<u>\$ 72,660</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, 2013**

8. OBLIGATIONS UNDER CAPITAL LEASES

	2013	2012
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	\$ 17,388	\$ 0
Less cash repayments required within 12 months	<u>7,306</u>	<u>0</u>
	<u>\$ 10,082</u>	<u>\$ 0</u>

Future minimum payments on capital lease obligations are as follows:

2014	\$ 7,306
2015	7,306
2016	<u>6,088</u>
	20,700
Imputed interest	<u>(3,312)</u>
	<u>\$ 17,388</u>

9. INVESTMENT INCOME

Investment income is comprised of the following components:

	2013	2012
Interest income	\$ 2,260	\$ 4,266
Unrealized (loss) gain on investments	<u>(1,993)</u>	<u>726</u>
	<u>\$ 267</u>	<u>\$ 4,992</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:

	2013	2012
Opening balance, comprised of the following:		
Deferred government grants	\$ 10,987	\$ 16,002
Registry advances	15,929	15,918
Prepaid subscription revenue	<u>11,844</u>	<u>11,402</u>
	<u>38,760</u>	<u>43,322</u>
Additions during the year:		
Publication grant received	24,535	23,582
Registry advances	16,038	15,929
Subscriptions received	<u>13,451</u>	<u>11,844</u>
	<u>54,024</u>	<u>51,355</u>
Contributions recognized in the year:		
Publication and grant	13,272	28,597
Registry advances	15,929	15,918
Subscriptions	<u>11,844</u>	<u>11,402</u>
	<u>41,045</u>	<u>55,917</u>

JERSEY CANADA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2013

10. RESTRICTED CONTRIBUTIONS (continued)

Closing balance, comprised of the following:

Deferred government grants	22,250	10,987
Registry advances	16,038	15,929
Prepaid subscription revenue	<u>13,451</u>	<u>11,844</u>

	<u>\$ 51,739</u>	<u>\$ 38,760</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 \$24,445 (2012 - \$11,801).

JERSEY CANADA**EXPENSES***Schedule 1***FOR THE YEAR ENDED DECEMBER 31, 2013**

	2013 BUDGET (note 7)	2013 ACTUAL	2012 ACTUAL
ADMINISTRATION			
Bad debts	\$ 500	\$ 433	\$ 211
Bank, interest and credit charges	8,000	9,284	8,237
Operating leases	5,000	5,243	5,109
Computer maintenance	3,000	1,949	3,599
ABRI technical support	24,000	24,066	21,351
Professional fees	11,000	7,650	7,235
Office	12,000	11,494	15,016
Postage, fax and courier	13,500	13,572	13,582
Subscription	500	483	110
Telephone	7,800	4,985	4,965
Insurance	4,500	5,360	3,791
Staff training	3,000	133	4,010
Translation	3,000	4,591	2,014
ABRI license	<u>3,500</u>	<u>3,500</u>	<u>3,500</u>
	<u>\$ 99,300</u>	<u>\$ 92,743</u>	<u>\$ 92,730</u>
BUILDING			
Condominium costs	\$ 9,600	\$ 9,105	\$ 8,351
Insurance	1,500	1,386	1,386
Janitor	1,920	1,920	1,920
Light, heat and water	4,000	3,770	3,554
Maintenance	1,600	1,257	5,105
Taxes	<u>13,000</u>	<u>12,301</u>	<u>11,635</u>
	<u>\$ 31,620</u>	<u>\$ 29,739</u>	<u>\$ 31,951</u>
MEETINGS			
Annual and mid-year meetings	\$ 23,000	\$ 23,834	\$ 30,231
President's travel	1,000	0	788
Committee and special meetings	<u>9,220</u>	<u>1,052</u>	<u>536</u>
	<u>\$ 33,220</u>	<u>\$ 24,886</u>	<u>\$ 31,555</u>
SALARIES AND BENEFITS			
Benefit plan	\$ 0	\$ 5,330	\$ 6,378
Canada pension plan	0	9,481	7,509
Salaries	132,477	128,868	135,322
Subcontract	0	987	737
Employment insurance	0	4,877	3,654
Workplace safety insurance	<u>0</u>	<u>2,195</u>	<u>1,759</u>
	<u>\$ 132,477</u>	<u>\$ 151,738</u>	<u>\$ 155,359</u>
AMORTIZATION			
Building	\$ 2,500	\$ 3,441	\$ 3,530
Furniture and fixtures	700	961	1,202
Computer	2,000	4,619	2,332
Registry system development cost	4,500	5,061	8,435
Model cow	<u>1,200</u>	<u>0</u>	<u>1,100</u>
	<u>\$ 10,900</u>	<u>\$ 14,082</u>	<u>\$ 16,599</u>

See notes to the financial statements

JERSEY CANADA**MAGAZINE/PUBLICATIONS REVENUES AND EXPENSES***Schedule 2***FOR THE YEAR ENDED DECEMBER 31, 2013**

	2013 BUDGET (note 7)	2013 ACTUAL	2012 ACTUAL
REVENUES			
Advertising, photographs, and colour separations	\$ 105,600	\$ 72,227	\$ 70,028
Less: Discounts	<u>(6,500)</u>	<u>(2,830)</u>	<u>(4,185)</u>
	99,100	69,397	65,843
All Canadian	4,500	4,105	4,530
Internet	6,000	6,090	1,450
Publication grant revenue	0	7,743	19,468
Membership subscriptions	31,500	30,390	31,120
Subscriptions	<u>15,000</u>	<u>10,370</u>	<u>13,042</u>
	<u>156,100</u>	<u>128,095</u>	<u>135,453</u>
EXPENSES			
All Canadian	1,000	603	902
Internet services	700	5,986	18,519
Computer	500	0	168
Freelance/translation	6,700	4,768	6,576
Office	650	0	0
Postage	16,500	14,480	11,807
Printing, photographs, and colour separations	40,800	36,963	49,184
Salary and benefits	51,840	43,174	49,535
Telephone	550	523	447
Travel	<u>2,000</u>	<u>1,296</u>	<u>810</u>
	<u>121,240</u>	<u>107,793</u>	<u>137,948</u>
NET REVENUES OVER EXPENSES for magazine and publications	\$ <u>34,860</u>	\$ <u>20,302</u>	\$ <u>(2,495)</u>