

JERSEY CANADA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

JERSEY CANADA

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YEAR ENDED DECEMBER 31, 2017

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Chartered
Professional
Accountants

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, 2017 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, 2017 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 23, 2018

Chartered Professional Accountants
Licensed Public Accountants

JERSEY CANADA
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017

	2017	2016
ASSETS		
CURRENT		
Cash	\$ 15,433	\$ 12,371
Investments	223,481	216,106
Accounts receivable	59,084	60,673
Inventory	4,201	7,649
Prepaid expenses	10,214	7,117
Due from Jersey Canada Youth Fund, interest free, unsecured	<u>15,846</u>	<u>7,613</u>
	<u>328,259</u>	<u>311,529</u>
CAPITAL ASSETS (note 3)	<u>135,018</u>	<u>137,953</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 4)		
Investments	41,780	40,263
Due from Jersey Canada Youth Fund, interest free, unsecured	<u>(15,846)</u>	<u>(7,613)</u>
	<u>25,934</u>	<u>32,650</u>
	<u>\$ 489,211</u>	<u>\$ 482,132</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 34,513	\$ 34,431
Government remittances payable	4,657	7,087
Prepaid subscription revenue	6,630	6,146
Registry advances	37,522	34,205
Deferred government grant (note 8)	<u>5,465</u>	<u>7,903</u>
	<u>88,787</u>	<u>89,772</u>
NET ASSETS		
Net assets invested in capital assets	134,541	137,345
Restricted for Jersey Canada Youth	25,934	32,650
Unrestricted net assets	<u>239,949</u>	<u>222,365</u>
	<u>400,424</u>	<u>392,360</u>
	<u>\$ 489,211</u>	<u>\$ 482,132</u>

APPROVED ON BEHALF OF THE BOARD:

_____ Director

_____ Director

JERSEY CANADA**STATEMENT OF CHANGES IN NET ASSETS****FOR THE YEARS ENDED DECEMBER 31, 2017**

	Invested in Capital Assets	Internally Restricted for Jersey Canada Youth	Unrestricted	Total 2017	Total 2016
BALANCE , beginning of year	\$ 137,345	\$ 32,650	\$ 222,365	\$ 392,360	\$ 373,641
(Shortfall) surplus for the year	(6,672)	(6,716)	21,452	8,064	18,719
Capital asset additions	<u>3,868</u>	<u>0</u>	<u>(3,868)</u>	<u>0</u>	<u>0</u>
BALANCE , end of year	<u>\$ 134,541</u>	<u>\$ 25,934</u>	<u>\$ 239,949</u>	<u>\$ 400,424</u>	<u>\$ 392,360</u>

JERSEY CANADA
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2017

	2017 BUDGET	2017 ACTUAL	2016 ACTUAL
	(note 6)		
REVENUES			
Registrations, transfers and memberships	\$ 360,000	\$ 358,247	\$ 349,797
Magazine / publications revenues (schedule 2)	115,820	123,826	113,854
D.N.A. testing	22,000	19,896	21,895
Investment income (note 7)	9,000	12,009	9,241
Market development	4,500	5,943	12,081
Pedigrees / catalogues / reports	6,000	3,250	5,709
Rental	2,372	2,372	2,372
Interest on overdue accounts	2,500	1,850	2,144
Other	200	996	1,074
Government grant - amortized capital purchases	<u>0</u>	<u>131</u>	<u>174</u>
	<u>522,392</u>	<u>528,520</u>	<u>518,341</u>
EXPENSES			
Salaries and benefits (schedule 1)	148,917	150,176	149,523
Administration (schedule 1)	105,498	114,367	102,848
Magazine / publications expenses (schedule 2)	92,332	89,046	81,813
National extension program	45,000	35,042	41,577
Building (schedule 1)	34,096	33,351	32,262
Meetings (schedule 1)	31,890	31,223	24,236
Market development	23,550	19,499	25,519
RAWF activities	13,000	12,876	12,584
D.N.A. testing	11,000	11,956	10,818
Staff travel	5,350	7,208	3,130
Special grants and memberships	2,000	2,081	2,420
CDN contributions	1,000	1,000	1,000
Pedigrees / catalogues / reports	<u>50</u>	<u>0</u>	<u>17</u>
	<u>513,683</u>	<u>507,825</u>	<u>487,747</u>
SURPLUS before the following:	<u>8,709</u>	<u>20,695</u>	<u>30,594</u>
Amortization (schedule 1)	(9,350)	(6,803)	(9,318)
Gain on foreign exchange	<u>1,500</u>	<u>888</u>	<u>1,834</u>
	<u>(7,850)</u>	<u>(5,915)</u>	<u>(7,484)</u>
SURPLUS from operations for the year	859	14,780	23,110
JERSEY CANADA YOUTH			
FUND SHORTFALL (note 4)	<u>0</u>	<u>(6,716)</u>	<u>(4,391)</u>
SURPLUS for the year	<u>\$ 859</u>	<u>\$ 8,064</u>	<u>\$ 18,719</u>

JERSEY CANADA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

	2017	2016
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Surplus for the year from operations	\$ 8,064	\$ 18,719
Add items not requiring an outlay of cash		
Amortization	<u>6,803</u>	<u>9,318</u>
	<u>14,867</u>	<u>28,037</u>
Changes in non-cash working capital balances related to operations:		
Accounts receivable	1,589	11,675
Due from Jersey Canada Youth Fund	(8,233)	(1,252)
Inventory	3,448	(1,404)
Prepaid expenses	(3,097)	1,407
Restricted Jersey Canada Youth Fund	6,716	4,391
Accounts payable and accrued liabilities	82	(12,691)
Government remittances payable	(2,430)	(2,542)
Prepaid subscriptions	484	(2,139)
Registry advances	3,317	(4,400)
Deferred government grant	<u>(2,438)</u>	<u>7,121</u>
	<u>(562)</u>	<u>166</u>
	<u>14,305</u>	<u>28,203</u>
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		
Capital lease obligation	<u>0</u>	<u>(5,757)</u>
CASH (USED IN) INVESTING ACTIVITIES		
Investments	(7,375)	(8,711)
Purchase of capital assets	<u>(3,868)</u>	<u>(6,373)</u>
	<u>(11,243)</u>	<u>(6,373)</u>
INCREASE IN CASH for the year	3,062	7,362
CASH, beginning of year	<u>12,371</u>	<u>5,009</u>
CASH, end of year	<u>\$ 15,433</u>	<u>\$ 12,371</u>

JERSEY CANADA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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.

JERSEY CANADA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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.

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, 2017

3. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 2017	Net 2016
Office furniture and fixtures	\$ 45,071	\$ 40,264	\$ 4,807	\$ 3,139
Computer equipment	98,567	89,647	8,920	10,413
Building	240,992	119,701	121,291	124,401
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>\$ 437,805</u>	<u>\$ 302,787</u>	<u>\$ 135,018</u>	<u>\$ 137,953</u>

4. 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:

	2017	2016
BALANCE, beginning of year	\$ <u>32,650</u>	\$ <u>37,041</u>
ADD: Revenue	2,350	6,430
LESS: Expenses	<u>9,066</u>	<u>10,821</u>
	<u>(6,716)</u>	<u>(4,391)</u>
BALANCE, end of year	\$ <u>25,934</u>	\$ <u>32,650</u>

5. LEASE OBLIGATIONS AND COMMITMENTS

The association is committed to paying monthly condominium fees for the office building, estimated at \$801/month, equipment under operating lease at an annual fee of \$430, expiring September 19, 2018, and a 5 year service agreement lease with a monthly fee of \$495/month, expiring July 13, 2022. 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 \$6,141/quarter, expiring December 31, 2020. Future minimum lease and commitment payments are estimated as follows:

2018	\$ 44,044
2019	43,613
2020	43,613
2021	15,549
2022	<u>9,609</u>
	<u>\$ 156,428</u>

6. 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, 2017

7. INVESTMENT INCOME

Investment income is comprised of the following components:

	2017	2016
Interest income	\$ 11,912	\$ 9,177
Unrealized gain on investments	<u>97</u>	<u>64</u>
	<u>\$ 12,009</u>	<u>\$ 9,241</u>

8. DEFERRED GOVERNMENT GRANT

The deferred government grant represents the unexpended portion of the government grant. The activity in the year is as follows:

	Opening Balance	Additions	Contributions Recognized	Closing Balance
Deferred government grant	\$ 7,903	\$ 22,863	\$ 25,301	\$ 5,465

9. 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 (2016 - \$0).

10. CORRESPONDING 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, 2017

	2017 BUDGET (note 6)	2017 ACTUAL	2016 ACTUAL
ADMINISTRATION			
ABRI technical support	\$ 22,000	\$ 23,907	\$ 23,574
Computer maintenance	4,000	16,318	7,005
Postage, fax and courier	17,800	15,330	16,288
Office	17,548	13,816	17,555
Bank, interest and credit charges	11,000	10,418	9,870
Professional fees	9,000	7,333	7,000
Insurance	6,300	6,287	5,738
Internet	2,000	5,863	1,690
Telephone	6,700	5,686	5,194
ABRI license	3,500	3,500	3,500
Translation	1,800	2,222	1,169
Bad debts	1,500	2,054	1,318
Staff training	750	665	398
Operating leases	600	599	2,089
Subscription	500	224	310
Commission on collections	500	145	150
	<u>\$ 105,498</u>	<u>\$ 114,367</u>	<u>\$ 102,848</u>
BUILDING			
Taxes	\$ 13,728	\$ 12,280	\$ 13,618
Condominium costs	9,780	9,609	9,609
Maintenance	1,000	4,178	1,254
Light, heat and water	5,280	3,932	4,429
Janitor	1,920	1,920	1,920
Insurance	2,388	1,432	1,432
	<u>\$ 34,096</u>	<u>\$ 33,351</u>	<u>\$ 32,262</u>
MEETINGS			
Annual and mid-year meetings	\$ 29,750	\$ 28,847	\$ 21,208
President's travel	1,500	2,120	1,692
Committee and special meetings	640	256	1,336
	<u>\$ 31,890</u>	<u>\$ 31,223</u>	<u>\$ 24,236</u>
SALARIES AND BENEFITS			
Salaries	\$ 148,917	\$ 130,960	\$ 133,108
Benefit plan	0	9,341	6,133
Canada pension plan	0	5,954	5,916
Employment insurance	0	2,568	2,978
Workplace safety insurance	0	1,353	1,388
	<u>\$ 148,917</u>	<u>\$ 150,176</u>	<u>\$ 149,523</u>
AMORTIZATION			
Building	\$ 3,110	\$ 3,110	\$ 3,190
Computer	2,726	2,810	5,506
Furniture and fixtures	3,514	883	622
	<u>\$ 9,350</u>	<u>\$ 6,803</u>	<u>\$ 9,318</u>

JERSEY CANADA**MAGAZINE/PUBLICATIONS REVENUES AND EXPENSES***Schedule 2***FOR THE YEAR ENDED DECEMBER 31, 2017**

	2017 BUDGET	2017 ACTUAL	2016 ACTUAL
	(note 6)		
REVENUES			
Advertising, photographs, and colour separations	\$ 30,750	\$ 47,348	\$ 46,635
Less: Discounts	<u>4,500</u>	<u>(4,010)</u>	<u>(3,983)</u>
	35,250	43,338	42,652
Membership subscriptions	30,000	33,390	30,840
Publication grant revenue	27,395	25,170	17,307
Internet	6,000	7,608	6,580
Subscriptions	10,000	7,220	9,300
All Canadian	<u>7,175</u>	<u>7,100</u>	<u>7,175</u>
	<u>115,820</u>	<u>123,826</u>	<u>113,854</u>
EXPENSES			
Salary and benefits	52,358	51,069	49,055
Printing, photographs, and colour separations	20,000	22,209	21,082
Postage	11,050	7,982	8,607
All Canadian	4,500	4,056	379
Freelance/translation	2,800	2,935	1,773
Telephone	624	615	616
Travel	<u>1,000</u>	<u>180</u>	<u>301</u>
	<u>92,332</u>	<u>89,046</u>	<u>81,813</u>
NET REVENUES OVER EXPENSES for magazine and publications	<u>\$ 23,488</u>	<u>\$ 34,780</u>	<u>\$ 32,041</u>