

JERSEY CANADA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

JERSEY CANADA
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YEAR ENDED DECEMBER 31, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Member of: Jersey Canada

Opinion

We have audited the accompanying financial statements of Jersey Canada, which comprise the statement of financial position as at December 31, 2018 and the statement of changes in net asset, operation and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Jersey Canada as at December 31, 2018 and the results of its operation and its cash flows for the year then ended in accordance with Canadian accounting standards for not for profit organization.

Basis of 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 organization and for such internal control a 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 a 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.

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.

A further description of the auditor's responsibilities for the audit of the financial statements is located at RLB LLP's website at: www.rlb.ca/additional-auditor-responsibilities. This description forms part of our auditor's report.



Guelph, Ontario
March 19, 2019

Chartered Professional Accountant
Licensed Public Accountant

JERSEY CANADA
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018

	2018	2017
ASSETS		
CURRENT		
Cash	\$ 66,893	\$ 15,433
Investment	193,174	223,481
Accounts receivable	57,715	59,084
Inventory	4,102	4,201
Prepaid expense	9,923	10,214
Due from Jersey Canada Youth Fund, interest free, unsecured	<u>17,471</u>	<u>15,846</u>
	<u>349,278</u>	<u>328,259</u>
CAPITAL ASSETS (note 4)	<u>128,759</u>	<u>135,018</u>
OTHER		
Registry system development cost	92,175	92,175
System enhancement	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)		
Investment	40,896	41,780
Due from Jersey Canada Youth Fund, interest free, unsecured	<u>(17,471)</u>	<u>(15,846)</u>
	<u>23,425</u>	<u>25,934</u>
	<u>\$ 501,462</u>	<u>\$ 489,211</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 22,932	\$ 34,513
Government remittances payable	4,997	4,657
Prepaid subscription revenue	8,676	6,630
Registry advance	39,984	37,522
Deferred government grant (note 8)	<u>6,376</u>	<u>5,465</u>
	<u>82,965</u>	<u>88,787</u>
NET ASSETS		
Net assets invested in capital asset	128,383	134,541
Restricted for Jersey Canada Youth	23,425	25,934
Unrestricted net asset	<u>266,689</u>	<u>239,949</u>
	<u>418,497</u>	<u>400,424</u>
	<u>\$ 501,462</u>	<u>\$ 489,211</u>

APPROVED ON BEHALF OF THE BOARD:

_____ Director

_____ Director

JERSEY CANADA
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2018

	Invested in Capital Assets	Internally Restricted for Jersey Canada Youth	Unrestricted	Total 2018	Total 2017
BALANCE , beginning of year	\$ 134,541	\$ 25,934	\$ 239,949	\$ 400,424	\$ 392,360
(Shortfall) surplus for the year	<u>(6,158)</u>	<u>(2,509)</u>	<u>26,740</u>	<u>18,073</u>	<u>8,064</u>
BALANCE , end of year	<u>\$ 128,383</u>	<u>\$ 23,425</u>	<u>\$ 266,689</u>	<u>\$ 418,497</u>	<u>\$ 400,424</u>

JERSEY CANADA
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018 BUDGET (note 7)	2018 ACTUAL	2017 ACTUAL
REVENUES			
Registrations, transfers and membership	\$ 360,000	\$ 411,791	\$ 358,247
Magazine / publications revenues (schedule 2)	117,225	101,448	123,826
D.N.A. testing	18,000	17,899	19,896
Investment income	9,000	5,528	12,009
Pedigrees / catalogues / report	6,000	4,546	3,250
Market development	3,500	4,025	5,943
Interest on overdue account	2,500	2,865	1,850
Rental	2,372	2,372	2,372
Other	200	310	996
Government grant - amortized capital purchase	<u>0</u>	<u>101</u>	<u>131</u>
	<u>518,797</u>	<u>550,885</u>	<u>528,520</u>
EXPENSES			
Salaries and benefits (schedule 1)	165,866	165,890	150,176
Administration (schedule 1)	115,990	107,642	114,367
Magazine / publications expenses (schedule 2)	105,220	91,215	89,046
National extension program	45,000	35,215	35,042
Meetings (schedule 1)	24,590	31,190	31,223
Building (schedule 1)	33,816	30,512	33,351
RAWF activitie	15,000	18,831	12,876
Staff travel	9,250	14,806	7,208
D.N.A. testing	12,000	9,430	11,956
Market development	16,800	8,456	19,499
Special grants and membership	2,000	2,138	2,081
CDN contribution	1,000	1,250	1,000
Pedigrees / catalogues / report	<u>50</u>	<u>0</u>	<u>0</u>
	<u>546,582</u>	<u>516,575</u>	<u>507,825</u>
(SHORTFALL) SURPLUS before the following:	<u>(27,785)</u>	<u>34,310</u>	<u>20,695</u>
Amortization (schedule 1)	(6,186)	(6,259)	(6,803)
Unrealized loss on investment	0	(7,500)	0
Gain on foreign exchange	<u>1,000</u>	<u>31</u>	<u>888</u>
	<u>(5,186)</u>	<u>(13,728)</u>	<u>(5,915)</u>
(SHORTFALL) SURPLUS from operations for the year	(32,971)	20,582	14,780
JERSEY CANADA YOUTH FUND SHORTFALL (note 5)	<u>0</u>	<u>(2,509)</u>	<u>(6,716)</u>
(SHORTFALL) SURPLUS for the year	<u>\$ (32,971)</u>	<u>\$ 18,073</u>	<u>\$ 8,064</u>

JERSEY CANADA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018	2017
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Surplus for the year from operation	\$ 18,073	\$ 8,064
Add items not requiring an outlay of cash		
Amortization	6,259	6,803
Unrealized loss on investment	7,500	0
	<u>31,832</u>	<u>14,867</u>
Changes in non-cash working capital balance related to operations:		
Accounts receivable	1,369	1,589
Due from Jersey Canada Youth Fund	(1,625)	(8,233)
Inventory	99	3,448
Prepaid expense	291	(3,097)
Restricted Jersey Canada Youth Fund	2,509	6,716
Accounts payable and accrued liabilities	(11,581)	82
Government remittances payable	340	(2,430)
Prepaid subscription revenue	2,046	484
Registry advance	2,462	3,317
Deferred government grant	911	(2,438)
	<u>(3,179)</u>	<u>(562)</u>
	<u>28,653</u>	<u>14,305</u>
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Investment	22,807	(7,375)
Purchase of capital asset	0	(3,868)
	<u>22,807</u>	<u>11,243</u>
INCREASE IN CASH for the year	51,460	3,062
CASH, beginning of	<u>15,433</u>	<u>12,371</u>
CASH, end of	<u>\$ 66,893</u>	<u>\$ 15,433</u>

JERSEY CANADA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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 Animal Pedigree 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 standard 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 fixture	- 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, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) FINANCIAL INSTRUMENTS

Measurement of financial instrument

The organization initially measures its financial assets and liabilities at fair value.

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 and registry advances.

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.

3. FINANCIAL INSTRUMENTS

Unless otherwise noted, it is management's opinion that the association is not exposed to significant interest, credit or currency risks arising from the financial instruments.

The extent of the association's exposure to these risks did not change in 2018 compared to the previous period.

The association does not have a significant exposure to any individual customer or counterpart.

JERSEY CANADA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

4. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 2018	Net 2017
Office furniture and fixture	\$ 45,071	\$ 41,225	\$ 3,846	\$ 4,807
Computer equipment	98,567	91,913	6,654	8,920
Building	240,992	122,733	118,259	121,291
Model cow mould	11,000	11,000	0	0
Computer software	42,175	42,175	0	0
Server equipment	<u>18,235</u>	<u>18,235</u>	<u>0</u>	<u>0</u>
	<u>\$ 456,040</u>	<u>\$ 327,281</u>	<u>\$ 128,759</u>	<u>\$ 135,018</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:

	2018	2017
BALANCE, beginning of year	\$ <u>25,934</u>	\$ <u>32,650</u>
ADD: Revenue	3,728	2,350
LESS: Expense	<u>6,237</u>	<u>9,066</u>
	<u>(2,509)</u>	<u>(6,716)</u>
BALANCE, end of year	\$ <u>23,425</u>	\$ <u>25,934</u>

6. LEASE OBLIGATIONS AND COMMITMENTS

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

2019	\$ 43,613
2020	43,613
2021	15,549
2022	13,074
2023	<u>9,609</u>
	<u>\$ 125,458</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, 2018

8. DEFERRED GOVERNMENT GRANT

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

	2018	2017
Balance, beginning of year	\$ 5,465	\$ 7,903
Amounts received during the year	23,174	22,863
Less: Amount recognized as revenue during the year	<u>(22,263)</u>	<u>(25,301)</u>
Balance, end of year	<u>\$ 6,376</u>	<u>\$ 5,465</u>

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 (2017 - \$0).

JERSEY CANADA**EXPENSES***Schedule 1***FOR THE YEAR ENDED DECEMBER 31, 2018**

	2018 BUDGET	2018 ACTUAL	2017 ACTUAL
	(note 7)		
ADMINISTRATION			
ABRI technical support	\$ 22,000	\$ 24,863	\$ 23,907
Postage, fax and courier	17,800	15,810	15,330
Office	19,478	14,850	13,816
Bank, interest and credit charge	12,000	10,995	10,418
Professional fee	9,000	8,978	7,333
Computer maintenance	7,500	8,663	16,318
Internet	7,562	8,037	5,863
Insurance	6,300	6,287	6,287
Telephone	5,700	3,993	5,686
ABRI license	3,500	3,500	3,500
Translation	1,800	1,170	2,222
Staff training	750	630	665
Operating lease	600	599	599
Commission on collection	500	395	145
Subscription	500	0	224
Bad debts (recovery)	<u>1,000</u>	<u>(1,128)</u>	<u>2,054</u>
	<u>\$ 115,990</u>	<u>\$ 107,642</u>	<u>\$ 114,367</u>
BUILDING			
Tax	\$ 13,728	\$ 12,006	\$ 12,280
Condominium cost	9,960	9,609	9,609
Light, heat and water	5,280	3,981	3,932
Janitor	1,920	1,920	1,920
Maintenance	1,500	1,564	4,178
Insurance	<u>1,428</u>	<u>1,432</u>	<u>1,432</u>
	<u>\$ 33,816</u>	<u>\$ 30,512</u>	<u>\$ 33,351</u>
MEETINGS			
Annual and mid-year meeting	\$ 21,750	\$ 27,392	\$ 28,847
President's travel	2,000	3,358	2,120
Committee and special meeting	<u>840</u>	<u>440</u>	<u>256</u>
	<u>\$ 24,590</u>	<u>\$ 31,190</u>	<u>\$ 31,223</u>
SALARIES AND BENEFITS			
Salarie	\$ 165,866	\$ 142,016	\$ 130,960
Benefit plan	0	12,954	9,341
Canada pension plan	0	6,592	5,954
Employment insurance	0	2,796	2,568
Workplace safety insurance	<u>0</u>	<u>1,532</u>	<u>1,353</u>
	<u>\$ 165,866</u>	<u>\$ 165,890</u>	<u>\$ 150,176</u>
AMORTIZATION			
Building	\$ 3,110	\$ 3,032	\$ 3,110
Computer	2,726	2,266	2,810
Furniture and fixture	<u>350</u>	<u>961</u>	<u>883</u>
	<u>\$ 6,186</u>	<u>\$ 6,259</u>	<u>\$ 6,803</u>

See notes to the financial statement

JERSEY CANADA**MAGAZINE/PUBLICATIONS REVENUES AND EXPENSES***Schedule 2***FOR THE YEAR ENDED DECEMBER 31, 2018**

	2018 BUDGET (note 7)	2018 ACTUAL	2017 ACTUAL
REVENUES			
Advertising, photographs, and colour separation	\$ 42,550	\$ 36,349	\$ 47,348
Less: Discount	<u>(4,500)</u>	<u>(3,987)</u>	<u>(4,010)</u>
	38,050	32,362	43,338
Membership subscription	30,000	29,940	33,390
Publication grant revenue	25,000	22,162	25,170
Internet	7,000	6,175	7,608
All Canadian	7,175	6,700	7,100
Subscription	<u>10,000</u>	<u>4,109</u>	<u>7,220</u>
	<u>117,225</u>	<u>101,448</u>	<u>123,826</u>
EXPENSES			
Salary and benefit	53,196	45,632	51,069
Printing, photographs, and colour separation	22,000	20,855	22,209
Internet service	12,000	12,349	0
Postage	11,050	7,910	7,982
Freelance/translation	2,550	4,299	2,935
Telephone	624	616	615
Travel	1,000	343	180
All Canadian	<u>2,800</u>	<u>(789)</u>	<u>4,056</u>
	<u>105,220</u>	<u>91,215</u>	<u>89,046</u>
NET REVENUES OVER EXPENSES for magazine and publications	<u>\$ 12,005</u>	<u>\$ 10,233</u>	<u>\$ 34,780</u>