

JERSEY CANADA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

JERSEY CANADA
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YEAR ENDED DECEMBER 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Members 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, 2019 and the statements of changes in net assets, operations 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, 2019 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.

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 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.


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 1, 2020

Chartered Professional Accountants
Licensed Public Accountants

JERSEY CANADA
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019

	2019	2018
ASSETS		
CURRENT		
Cash	\$ 89,186	\$ 66,893
Investments	205,346	193,174
Accounts receivable	58,084	57,715
Inventory	1,886	4,102
Prepaid expenses	13,206	9,923
Due from Jersey Canada Youth Fund, interest free, unsecured	<u>21,981</u>	<u>17,471</u>
	<u>389,689</u>	<u>349,278</u>
CAPITAL ASSETS (note 4)	<u>123,367</u>	<u>128,759</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)		
Investments	43,856	40,896
Due to Jersey Canada operating, interest free, unsecured	<u>(21,981)</u>	<u>(17,471)</u>
	<u>21,875</u>	<u>23,425</u>
	<u>\$ 534,931</u>	<u>\$ 501,462</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 26,604	\$ 22,932
Government remittances payable	5,690	4,997
Prepaid subscription revenue	5,120	8,676
Registry advances	47,139	39,984
Deferred government grant (note 8)	<u>8,055</u>	<u>6,376</u>
	<u>92,608</u>	<u>82,965</u>
NET ASSETS		
Net assets invested in capital assets	123,069	128,383
Restricted for Jersey Canada Youth	21,875	23,425
Unrestricted net assets	<u>297,379</u>	<u>266,689</u>
	<u>442,323</u>	<u>418,497</u>
	<u>\$ 534,931</u>	<u>\$ 501,462</u>
APPROVED ON BEHALF OF THE BOARD:		
_____ Director		
_____ Director		

JERSEY CANADA
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2019

	Invested in Capital Assets	Internally Restricted for Jersey Canada Youth	Unrestricted	Total 2019	Total 2018
BALANCE , beginning of year	\$ 128,383	\$ 23,425	\$ 266,689	\$ 418,497	\$ 400,424
(Shortfall) surplus for the year	<u>(5,314)</u>	<u>(1,550)</u>	<u>30,690</u>	<u>23,826</u>	<u>18,073</u>
BALANCE , end of year	<u>\$ 123,069</u>	<u>\$ 21,875</u>	<u>\$ 297,379</u>	<u>\$ 442,323</u>	<u>\$ 418,497</u>

JERSEY CANADA
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2019

	2019 BUDGET (note 7)	2019 ACTUAL	2018 ACTUAL
REVENUES			
Registrations, transfers and memberships	\$ 411,250	\$ 388,716	\$ 411,791
Magazine / publications revenues (schedule 2)	105,775	105,929	101,448
D.N.A. testing	20,000	20,059	17,899
Investment income	9,000	7,344	5,528
Market development	4,000	4,287	4,025
Pedigrees / catalogues / reports	4,000	3,531	4,546
Rental	2,372	2,372	2,372
Interest on overdue accounts	2,500	2,108	2,865
Other	200	260	310
Government grant - amortized capital purchases	<u>0</u>	<u>78</u>	<u>101</u>
	<u>559,097</u>	<u>534,684</u>	<u>550,885</u>
EXPENSES			
Salaries and benefits (schedule 1)	168,366	159,937	165,890
Administration (schedule 1)	128,207	115,498	107,642
Magazine / publications expenses (schedule 2)	88,561	82,489	91,215
National extension program	50,000	37,059	35,215
Building (schedule 1)	30,768	29,923	30,512
Meetings (schedule 1)	27,450	29,481	31,190
Market development	30,250	20,996	8,456
RAWF activities	15,275	18,452	18,831
D.N.A. testing	12,000	10,116	9,430
Staff travel	11,600	7,082	14,806
Special grants and memberships	2,000	1,935	2,138
CDN contributions	<u>1,250</u>	<u>1,000</u>	<u>1,250</u>
	<u>565,727</u>	<u>513,968</u>	<u>516,575</u>
(SHORTFALL) SURPLUS before the following:	<u>(6,630)</u>	<u>20,716</u>	<u>34,310</u>
Amortization (schedule 1)	(5,700)	(5,392)	(6,259)
Unrealized gain (loss) on investments	0	10,005	(7,500)
Gain on foreign exchange	<u>1,000</u>	<u>47</u>	<u>31</u>
	<u>(4,700)</u>	<u>4,660</u>	<u>(13,728)</u>
(SHORTFALL) SURPLUS from operations for the year	(11,330)	25,376	20,582
JERSEY CANADA YOUTH FUND SHORTFALL (note 5)	<u>0</u>	<u>(1,550)</u>	<u>(2,509)</u>
(SHORTFALL) SURPLUS for the year	<u>\$ (11,330)</u>	<u>\$ 23,826</u>	<u>\$ 18,073</u>

JERSEY CANADA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

	2019	2018
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Surplus for the year from operations	\$ 23,826	\$ 18,073
Add items not requiring an outlay of cash		
Amortization	5,392	6,259
Unrealized (gain) loss on investments	<u>(10,005)</u>	<u>7,500</u>
	<u>19,213</u>	<u>31,832</u>
Changes in non-cash working capital balances related to operations:		
Accounts receivable	(369)	1,369
Due from Jersey Canada Youth Fund	(4,510)	(1,625)
Inventory	2,216	99
Prepaid expenses	(3,283)	291
Restricted Jersey Canada Youth Fund	1,550	2,509
Accounts payable and accrued liabilities	3,672	(11,581)
Government remittances payable	693	340
Prepaid subscription revenue	(3,556)	2,046
Registry advances	7,155	2,462
Deferred government grant	<u>1,679</u>	<u>911</u>
	<u>5,247</u>	<u>(3,179)</u>
	<u>24,460</u>	<u>28,653</u>
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Investments	<u>(2,167)</u>	<u>22,807</u>
INCREASE IN CASH for the year	22,293	51,460
CASH, beginning of year	<u>66,893</u>	<u>15,433</u>
CASH, end of year	<u>\$ 89,186</u>	<u>\$ 66,893</u>

JERSEY CANADA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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 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

(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. Registry development costs have been fully amortized.

JERSEY CANADA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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.

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.

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 2019 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, 2019

4. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 2019	Net 2018
Office furniture and fixtures	\$ 45,071	\$ 41,994	\$ 3,077	\$ 3,846
Computer equipment	98,567	93,580	4,987	6,654
Building	240,992	125,689	115,303	118,259
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>\$ 332,673</u>	<u>\$ 123,367</u>	<u>\$ 128,759</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 fund's continuity is as follows:

	2019	2018
BALANCE, beginning of year	\$ <u>23,425</u>	\$ <u>25,934</u>
ADD: Revenue	4,328	3,728
LESS: Expenses	<u>5,878</u>	<u>6,237</u>
	<u>(1,550)</u>	<u>(2,509)</u>
BALANCE, end of year	\$ <u>21,875</u>	\$ <u>23,425</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 computer support fee of \$27,500, expiring June 30, 2022. Future minimum lease and commitment payments are estimated as follows:

2020	\$ 43,049
2021	43,049
2022	26,824
2023	<u>9,609</u>
	<u>\$ 122,531</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, 2019

8. DEFERRED GOVERNMENT GRANT

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

	2019	2018
Balance, beginning of year	\$ 6,376	\$ 5,465
Amounts received during the year	23,622	23,174
Less: Amount recognized as revenue during the year	<u>(21,943)</u>	<u>(22,263)</u>
Balance, end of year	<u>\$ 8,055</u>	<u>\$ 6,376</u>

9. BANK OVERDRAFT

Jersey Canada has a TD business line of credit on its 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 (2018 - \$0).

JERSEY CANADA

EXPENSES

Schedule 1

FOR THE YEAR ENDED DECEMBER 31, 2019

	2019 BUDGET (note 7)	2019 ACTUAL	2018 ACTUAL
ADMINISTRATION			
ABRI technical support	\$ 24,000	\$ 27,376	\$ 24,863
Office	18,277	16,907	14,850
Postage, fax and courier	17,000	16,607	15,810
Professional fees	10,000	11,971	8,978
Bank, interest and credit charges	11,000	10,747	10,995
Internet	8,235	7,961	8,037
Computer maintenance	8,000	7,852	8,663
Insurance	6,045	6,287	6,287
Telephone	5,000	3,863	3,993
Bad debts (recovery)	1,000	3,705	(1,128)
Translation	1,800	1,183	1,170
Operating leases	12,600	599	599
Staff training	750	259	630
Subscription	500	181	0
ABRI license	3,500	0	3,500
Commission on collections	500	0	395
	<u>\$ 128,207</u>	<u>\$ 115,498</u>	<u>\$ 107,642</u>
BUILDING			
Taxes	\$ 12,000	\$ 11,632	\$ 12,006
Condominium costs	9,960	9,754	9,609
Light, heat and water	3,960	4,035	3,981
Janitor	1,920	1,920	1,920
Insurance	1,428	1,432	1,432
Maintenance	1,500	1,150	1,564
	<u>\$ 30,768</u>	<u>\$ 29,923</u>	<u>\$ 30,512</u>
MEETINGS			
Annual and mid-year meetings	\$ 24,750	\$ 28,171	\$ 27,392
President's travel	2,000	886	3,358
Committee and special meetings	700	424	440
	<u>\$ 27,450</u>	<u>\$ 29,481</u>	<u>\$ 31,190</u>
SALARIES AND BENEFITS			
Salaries	\$ 168,366	\$ 139,563	\$ 142,016
Benefit plan	0	9,805	12,954
Canada pension plan	0	6,676	6,592
Employment insurance	0	2,706	2,796
Workplace safety insurance	0	1,187	1,532
	<u>\$ 168,366</u>	<u>\$ 159,937</u>	<u>\$ 165,890</u>
AMORTIZATION			
Building	\$ 3,000	\$ 2,956	\$ 3,032
Computer	2,100	1,667	2,266
Furniture and fixtures	600	769	961
	<u>\$ 5,700</u>	<u>\$ 5,392</u>	<u>\$ 6,259</u>

See notes to the financial statements

JERSEY CANADA

MAGAZINE/PUBLICATIONS REVENUES AND EXPENSES

Schedule 2

FOR THE YEAR ENDED DECEMBER 31, 2019

	2019 BUDGET (note 7)	2019 ACTUAL	2018 ACTUAL
REVENUES			
Advertising, photographs, and colour separations	\$ 37,100	\$ 39,095	\$ 36,349
Less: Discounts	<u>(3,500)</u>	<u>(5,296)</u>	<u>(3,987)</u>
	33,600	33,799	32,362
Membership subscriptions	28,500	28,585	29,940
Publication grant revenue	23,500	21,865	22,162
Subscriptions	6,000	8,075	4,109
Internet	7,000	7,455	6,175
All Canadian	<u>7,175</u>	<u>6,150</u>	<u>6,700</u>
	<u>105,775</u>	<u>105,929</u>	<u>101,448</u>
EXPENSES			
Salary and benefits	49,437	49,903	45,632
Printing, photographs, and colour separations	21,200	21,327	20,855
Postage	11,100	8,134	7,910
Freelance/translation	2,400	1,715	4,299
Telephone	624	620	616
All Canadian	2,800	588	(789)
Travel	1,000	202	343
Internet services	<u>0</u>	<u>0</u>	<u>12,349</u>
	<u>88,561</u>	<u>82,489</u>	<u>91,215</u>
NET REVENUES OVER EXPENSES for magazine and publications	<u>\$ 17,214</u>	<u>\$ 23,440</u>	<u>\$ 10,233</u>