

**JERSEY CANADA**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

## **JERSEY CANADA**

### **INDEX TO THE FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2020**

---

	Page
INDEPENDENT AUDITOR'S REPORT	3 - 4
FINANCIAL STATEMENTS	
Statement of Financial Position	5
Statement of Changes in Net Assets	6
Statement of Operations	7
Statement of Cash Flows	8
Notes to the Financial Statements	9 - 12
Schedule of Expenses	13
Schedule of Magazine/Publications Revenues and Expenses	14

---

## 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, 2020 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, 2020 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.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Guelph, Ontario  
February 22, 2021

Chartered Professional Accountants  
Licensed Public Accountants

**JERSEY CANADA**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2020**

	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 207,776	\$ 89,186
Investments	213,572	205,346
Accounts receivable	59,922	58,084
Inventory	4,905	1,886
Prepaid expenses	9,515	13,206
Due from Jersey Canada Youth Fund, interest free, unsecured	<u>26,176</u>	<u>21,981</u>
	<u>521,866</u>	<u>389,689</u>
<b>CAPITAL ASSETS</b> (note 4)	<u>137,646</u>	<u>123,367</u>
<b>OTHER</b>		
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>
<b>RESTRICTED JERSEY CANADA YOUTH FUND</b> (note 5)		
Investments	46,510	43,856
Due to Jersey Canada operating, interest free, unsecured	<u>(26,176)</u>	<u>(21,981)</u>
	<u>20,334</u>	<u>21,875</u>
	<u>\$ 679,846</u>	<u>\$ 534,931</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 21,012	\$ 26,604
Government remittances payable	9,079	5,690
Prepaid subscription revenue	8,488	5,120
Registry advances	50,402	47,139
Deferred government grant (note 8)	<u>9,116</u>	<u>8,055</u>
	<u>98,097</u>	<u>92,608</u>
<b>NET ASSETS</b>		
Net assets invested in capital assets	137,409	123,069
Restricted for Jersey Canada Youth	20,334	21,875
Unrestricted net assets	<u>424,006</u>	<u>297,379</u>
	<u>581,749</u>	<u>442,323</u>
	<u>\$ 679,846</u>	<u>\$ 534,931</u>

**APPROVED ON BEHALF OF THE BOARD:**

\_\_\_\_\_ Director

\_\_\_\_\_ Director

**JERSEY CANADA****STATEMENT OF CHANGES IN NET ASSETS****FOR THE YEARS ENDED DECEMBER 31, 2020**

---

	Invested in Capital Assets	Internally Restricted for Jersey Canada Youth	Unrestricted	Total 2020	Total 2019
<b>BALANCE</b> , beginning of year	\$ 123,069	\$ 21,875	\$ 297,379	\$ 442,323	\$ 418,497
(Shortfall) surplus for the year	(7,859)	(1,541)	148,826	139,426	23,826
Capital asset additions	<u>22,199</u>	<u>0</u>	<u>(22,199)</u>	<u>0</u>	<u>0</u>
<b>BALANCE</b> , end of year	<u>\$ 137,409</u>	<u>\$ 20,334</u>	<u>\$ 424,006</u>	<u>\$ 581,749</u>	<u>\$ 442,323</u>

**JERSEY CANADA**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	<b>2020 BUDGET</b>	<b>2020 ACTUAL</b>	<b>2019 ACTUAL</b>
	(note 7)		
<b>REVENUES</b>			
Registrations, transfers and memberships	\$ 389,500	\$ 396,211	\$ 388,716
Magazine / publications revenues (schedule 2)	106,450	100,811	105,929
D.N.A. testing	18,000	22,788	20,059
Investment income	10,000	11,366	7,344
Market development	4,000	9,485	4,287
Interest on overdue accounts	2,500	2,975	2,108
Rental	2,372	2,372	2,372
Pedigrees / catalogues / reports	4,000	2,343	3,531
Other	200	255	260
Government grant - amortized capital purchases	<u>0</u>	<u>61</u>	<u>78</u>
	<u>537,022</u>	<u>548,667</u>	<u>534,684</u>
<b>EXPENSES</b>			
Salaries and benefits (schedule 1)	135,619	122,478	159,937
Administration (schedule 1)	127,930	112,811	115,498
Magazine / publications expenses (schedule 2)	92,642	90,805	82,489
Building (schedule 1)	31,057	30,073	29,923
National extension program	50,000	16,118	37,059
Market development	20,450	13,128	20,996
D.N.A. testing	10,000	11,133	10,116
Meetings (schedule 1)	35,520	4,978	29,481
Staff travel	5,345	1,271	7,082
CDN contributions	1,250	1,000	1,000
Special grants and memberships	2,000	974	1,935
RAWF activities	<u>15,000</u>	<u>720</u>	<u>18,452</u>
	<u>526,813</u>	<u>405,489</u>	<u>513,968</u>
<b>(SHORTFALL) SURPLUS before the following:</b>	<u>10,209</u>	<u>143,178</u>	<u>20,716</u>
Amortization (schedule 1)	(5,700)	(7,920)	(5,392)
Unrealized gain on investments	0	5,709	10,005
Gain on foreign exchange	<u>1,000</u>	<u>0</u>	<u>47</u>
	<u>(4,700)</u>	<u>(2,211)</u>	<u>4,660</u>
<b>(SHORTFALL) SURPLUS from operations for the year</b>	5,509	140,967	25,376
<b>JERSEY CANADA YOUTH FUND SHORTFALL</b> (note 5)	<u>0</u>	<u>(1,541)</u>	<u>(1,550)</u>
<b>(SHORTFALL) SURPLUS for the year</b>	<u>\$ 5,509</u>	<u>\$ 139,426</u>	<u>\$ 23,826</u>

**JERSEY CANADA**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	<b>2020</b>	<b>2019</b>
<b>CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		
Surplus for the year from operations	\$ 139,426	\$ 23,826
Add items not requiring an outlay of cash		
Amortization	7,920	5,392
Unrealized gain on investments	<u>(5,709)</u>	<u>(10,005)</u>
	<u>141,637</u>	<u>19,213</u>
Changes in non-cash working capital balances related to operations:		
Accounts receivable	(1,838)	(370)
Due from Jersey Canada Youth Fund	(4,195)	(4,510)
Inventory	(3,019)	2,217
Prepaid expenses	3,691	(3,283)
Restricted Jersey Canada Youth Fund	1,541	1,550
Accounts payable and accrued liabilities	(5,592)	3,672
Government remittances payable	3,389	693
Prepaid subscription revenue	3,368	(3,556)
Registry advances	3,263	7,155
Deferred government grant	<u>1,061</u>	<u>1,679</u>
	<u>1,669</u>	<u>5,247</u>
	<u>143,306</u>	<u>24,460</u>
<b>CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>		
Investments	(2,517)	(2,167)
Purchase of capital assets	<u>(22,199)</u>	<u>0</u>
	<u>(24,716)</u>	<u>(2,167)</u>
<b>INCREASE IN CASH for the year</b>	118,590	22,293
<b>CASH, beginning of year</b>	<u>89,186</u>	<u>66,893</u>
<b>CASH, end of year</b>	<u>\$ 207,776</u>	<u>\$ 89,186</u>



## JERSEY CANADA

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

---

#### 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, 2020**

---

**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 2020 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, 2020**

---

**4. CAPITAL ASSETS**

	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net 2020</b>	<b>Net 2019</b>
Office furniture and fixtures	\$ 47,854	\$ 42,887	\$ 4,967	\$ 3,077
Computer equipment	117,983	97,724	20,259	4,987
Building	240,992	128,572	112,420	115,303
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>\$ 478,239</u>	<u>\$ 340,593</u>	<u>\$ 137,646</u>	<u>\$ 123,367</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:

	<b>2020</b>	<b>2019</b>
<b>BALANCE, beginning of year</b>	\$ <u>21,875</u>	\$ <u>23,425</u>
ADD: Revenue	804	4,328
LESS: Expenses	<u>2,345</u>	<u>5,878</u>
	<u>(1,541)</u>	<u>(1,550)</u>
<b>BALANCE, end of year</b>	\$ <u>20,334</u>	\$ <u>21,875</u>

**6. LEASE OBLIGATIONS AND COMMITMENTS**

The association is committed to paying monthly condominium fees for the office building, estimated at \$825/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:

2021	\$ 43,338
2022	27,113
2023	9,898
2024	9,898
2025	<u>9,898</u>
	<u>\$ 100,145</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, 2020**

---

**8. DEFERRED GOVERNMENT GRANT**

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

	<b>2020</b>	<b>2019</b>
Balance, beginning of year	\$ 8,055	\$ 6,376
Amounts received during the year	27,622	23,622
Less: Amount recognized as revenue during the year	<u>(26,561)</u>	<u>(21,943)</u>
Balance, end of year	<u>\$ 9,116</u>	<u>\$ 8,055</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 (2019 - \$0).

**10. MATERIAL UNCERTAINTY DUE TO COVID-19**

During the year and subsequent to year end, the Novel Coronavirus (COVID-19) significantly impacted the economy in Canada and globally. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration of business disruption and the related financial impact cannot be reasonably estimated at this time. This may impact the timing and amounts realized on the organization's assets and its future ability to deliver all services.

**JERSEY CANADA**

**EXPENSES**

*Schedule 1*

**FOR THE YEAR ENDED DECEMBER 31, 2020**

	<b>2020 BUDGET (note 7)</b>	<b>2020 ACTUAL</b>	<b>2019 ACTUAL</b>
<b>ADMINISTRATION</b>			
ABRI technical support	\$ 27,500	\$ 26,504	\$ 27,376
Professional fees	10,000	22,152	11,971
Office	18,000	14,919	16,907
Postage, fax and courier	17,800	14,482	16,607
Bank, interest and credit charges	10,000	12,397	10,747
Internet	8,235	7,896	7,961
Insurance	6,045	6,651	6,287
Telephone	5,000	3,529	3,863
Bad debts	1,000	1,350	3,705
Computer maintenance	20,000	1,275	7,852
Operating leases	600	599	599
Staff training	750	596	259
Translation	2,000	311	1,183
Subscription	500	150	181
Commission on collections	500	0	0
	<u>\$ 127,930</u>	<u>\$ 112,811</u>	<u>\$ 115,498</u>
<b>BUILDING</b>			
Taxes	\$ 12,289	\$ 11,381	\$ 11,632
Condominium costs	9,960	10,022	9,754
Light, heat and water	3,960	3,683	4,035
Janitor	1,920	1,920	1,920
Maintenance	1,500	1,635	1,150
Insurance	1,428	1,432	1,432
	<u>\$ 31,057</u>	<u>\$ 30,073</u>	<u>\$ 29,923</u>
<b>MEETINGS</b>			
Annual and mid-year meetings	\$ 33,800	\$ 4,025	\$ 28,171
Committee and special meetings	720	739	424
President's travel	1,000	214	886
	<u>\$ 35,520</u>	<u>\$ 4,978</u>	<u>\$ 29,481</u>
<b>SALARIES AND BENEFITS</b>			
Salaries	\$ 120,704	\$ 107,371	\$ 139,563
Benefit plan	2,785	7,541	9,805
Canada pension plan	5,169	5,260	6,676
Employment insurance	5,569	1,914	2,706
Workplace safety insurance	1,392	392	1,187
	<u>\$ 135,619</u>	<u>\$ 122,478</u>	<u>\$ 159,937</u>
<b>AMORTIZATION</b>			
Computer	\$ 2,100	\$ 4,144	\$ 1,667
Building	3,000	2,883	2,956
Furniture and fixtures	600	893	769
	<u>\$ 5,700</u>	<u>\$ 7,920</u>	<u>\$ 5,392</u>

See notes to the financial statements

**JERSEY CANADA****MAGAZINE/PUBLICATIONS REVENUES AND EXPENSES***Schedule 2***FOR THE YEAR ENDED DECEMBER 31, 2020**

	<b>2020 BUDGET</b> (note 7)	<b>2020 ACTUAL</b>	<b>2019 ACTUAL</b>
<b>REVENUES</b>			
Advertising, photographs, and colour separations	\$ 37,200	\$ 37,480	\$ 39,095
Less: Discounts	<u>(4,000)</u>	<u>(4,480)</u>	<u>(5,296)</u>
	33,200	33,000	33,799
Membership subscriptions	30,000	29,130	28,585
Publication grant revenue	23,000	26,501	21,865
All Canadian	6,250	7,317	6,150
Internet	8,000	4,280	7,455
Subscriptions	<u>6,000</u>	<u>583</u>	<u>8,075</u>
	<u>106,450</u>	<u>100,811</u>	<u>105,929</u>
<b>EXPENSES</b>			
Salary and benefits	52,718	53,839	49,903
Printing, photographs, and colour separations	21,700	23,106	21,327
Postage	12,200	8,267	8,134
Freelance/translation	3,400	4,392	1,715
Telephone	624	621	620
All Canadian	1,000	576	588
Travel	<u>1,000</u>	<u>4</u>	<u>202</u>
	<u>92,642</u>	<u>90,805</u>	<u>82,489</u>
<b>NET REVENUES OVER EXPENSES for magazine and publications</b>	<b>\$ <u>13,808</u></b>	<b>\$ <u>10,006</u></b>	<b>\$ <u>23,440</u></b>