

JERSEY CANADA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

JERSEY CANADA

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YEAR ENDED DECEMBER 31, 2021

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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, 2021 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, 2021 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 Jersey Canada 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, 2022

Chartered Professional Accountants
Licensed Public Accountants

JERSEY CANADA
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021

	2021	2020
ASSETS		
CURRENT		
Cash	\$ 195,121	\$ 207,776
Investments	338,393	213,572
Accounts receivable	58,627	59,922
Inventory	3,719	4,905
Prepaid expenses	7,799	9,515
Due from Jersey Canada Youth Fund, interest free, unsecured	<u>28,950</u>	<u>26,176</u>
	<u>632,609</u>	<u>521,866</u>
CAPITAL ASSETS (note 4)	<u>129,368</u>	<u>137,646</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	47,404	46,510
Due to Jersey Canada operating, interest free, unsecured	<u>(28,950)</u>	<u>(26,176)</u>
	<u>18,454</u>	<u>20,334</u>
	<u>\$ 780,431</u>	<u>\$ 679,846</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 57,792	\$ 21,012
Government remittances payable	1,375	9,079
Prepaid subscription revenue	3,177	8,488
Registry advances	55,349	50,402
Deferred government grant (note 8)	<u>12,932</u>	<u>9,116</u>
	<u>130,625</u>	<u>98,097</u>
NET ASSETS		
Net assets invested in capital assets	129,368	137,409
Restricted for Jersey Canada Youth	18,454	20,334
Unrestricted net assets	<u>501,984</u>	<u>424,006</u>
	<u>649,806</u>	<u>581,749</u>
	<u>\$ 780,431</u>	<u>\$ 679,846</u>

APPROVED ON BEHALF OF THE BOARD:

_____ Director

_____ Director

JERSEY CANADA**STATEMENT OF CHANGES IN NET ASSETS****FOR THE YEARS ENDED DECEMBER 31, 2021**

	Invested in Capital Assets	Internally Restricted for Jersey Canada Youth	Unrestricted	Total 2021	Total 2020
BALANCE , beginning of year	\$ 137,409	\$ 20,334	\$ 424,006	\$ 581,749	\$ 442,323
(Shortfall) surplus for the year	(9,624)	(1,880)	79,561	68,057	139,426
Capital asset additions	<u>1,583</u>	<u>0</u>	<u>(1,583)</u>	<u>0</u>	<u>0</u>
BALANCE , end of year	<u>\$ 129,368</u>	<u>\$ 18,454</u>	<u>\$ 501,984</u>	<u>\$ 649,806</u>	<u>\$ 581,749</u>

JERSEY CANADA
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2021

	2021 BUDGET (note 7)	2021 ACTUAL	2020 ACTUAL
REVENUES			
Registrations, transfers and memberships	\$ 395,500	\$ 415,025	\$ 396,211
Magazine / publications revenues (schedule 2)	106,450	97,494	100,811
D.N.A. testing	22,500	20,459	22,788
Investment income	10,000	14,432	11,366
Pedigrees / catalogues / reports	2,000	3,767	2,343
Interest on overdue accounts	3,000	3,156	2,975
Rental	2,372	2,372	2,372
Market development	4,000	1,936	9,485
Government grant - amortized capital purchases	0	238	61
Other	<u>200</u>	<u>181</u>	<u>255</u>
	<u>546,022</u>	<u>559,060</u>	<u>548,667</u>
EXPENSES			
Salaries and benefits (schedule 1)	172,749	191,451	122,478
Administration (schedule 1)	114,300	108,005	112,811
Magazine / publications expenses (schedule 2)	98,223	86,901	90,805
Building (schedule 1)	31,320	29,841	30,073
Meetings (schedule 1)	18,000	27,749	4,978
National extension program	50,000	24,665	16,118
D.N.A. testing	11,000	8,245	11,133
Market development	25,450	7,078	13,128
Staff travel	10,000	5,848	1,271
RAWF activities	15,000	2,830	720
Special grants and memberships	2,000	2,569	974
CDN contributions	<u>1,250</u>	<u>0</u>	<u>1,000</u>
	<u>549,292</u>	<u>495,182</u>	<u>405,489</u>
(SHORTFALL) SURPLUS before the following:	<u>(3,270)</u>	<u>63,878</u>	<u>143,178</u>
Amortization (schedule 1)	(9,684)	(9,861)	(7,920)
Unrealized gain on investments	0	14,629	5,709
Gain on foreign exchange	<u>1,000</u>	<u>1,291</u>	<u>0</u>
	<u>(8,684)</u>	<u>6,059</u>	<u>(2,211)</u>
(SHORTFALL) SURPLUS from operations for the year	(11,954)	69,937	140,967
JERSEY CANADA YOUTH FUND SHORTFALL (note 5)	<u>0</u>	<u>(1,880)</u>	<u>(1,541)</u>
(SHORTFALL) SURPLUS for the year	<u>\$ (11,954)</u>	<u>\$ 68,057</u>	<u>\$ 139,426</u>

JERSEY CANADA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

	2021	2020
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Surplus for the year from operations	\$ 68,057	\$ 139,426
Add items not requiring an outlay of cash		
Amortization	9,861	7,920
Unrealized gain on investments	<u>(14,629)</u>	<u>(5,709)</u>
	<u>63,289</u>	<u>141,637</u>
Changes in non-cash working capital balances related to operations:		
Accounts receivable	1,295	(1,838)
Due from Jersey Canada Youth Fund	(2,774)	(4,195)
Inventory	1,186	(3,019)
Prepaid expenses	1,716	3,691
Restricted Jersey Canada Youth Fund	1,880	1,541
Accounts payable and accrued liabilities	36,780	(5,592)
Government remittances payable	(7,704)	3,389
Prepaid subscription revenue	(5,311)	3,368
Registry advances	4,947	3,263
Deferred government grant	<u>3,816</u>	<u>1,061</u>
	<u>35,831</u>	<u>1,669</u>
	<u>99,120</u>	<u>143,306</u>
CASH (USED IN) INVESTING ACTIVITIES		
Investments	(110,192)	(2,517)
Purchase of capital assets	<u>(1,583)</u>	<u>(22,199)</u>
	<u>(111,775)</u>	<u>(24,716)</u>
(DECREASE) INCREASE IN CASH for the year	(12,655)	118,590
CASH, beginning of year	<u>207,776</u>	<u>89,186</u>
CASH, end of year	<u>\$ 195,121</u>	<u>\$ 207,776</u>

JERSEY CANADA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

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 organization 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 organization 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
Server equipment	- 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. Registry development costs have been fully amortized.

JERSEY CANADA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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 organization is not exposed to significant interest, credit or currency risks arising from the financial instruments.

The extent of the organization's exposure to these risks did not change in 2021 compared to the previous period.

The organization 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, 2021

4. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 2021	Net 2020
Office furniture and fixtures	\$ 47,854	\$ 43,851	\$ 4,003	\$ 4,967
Computer equipment	119,566	103,810	15,756	20,259
Building	240,992	131,383	109,609	112,420
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>\$ 479,822</u>	<u>\$ 350,454</u>	<u>\$ 129,368</u>	<u>\$ 137,646</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:

	2021	2020
BALANCE, beginning of year	\$ <u>20,334</u>	\$ <u>21,875</u>
ADD: Revenue	796	804
LESS: Expenses	<u>2,676</u>	<u>2,345</u>
	<u>(1,880)</u>	<u>(1,541)</u>
BALANCE, end of year	\$ <u>18,454</u>	\$ <u>20,334</u>

6. LEASE OBLIGATIONS AND COMMITMENTS

The organization is committed to paying monthly condominium fees for the office building, estimated at \$875/month and a 5 year service agreement lease with a monthly fee of \$495/month, expiring July 13, 2022. With the ABRI system, the organization 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:

2022	\$ 27,715
2023	10,500
2024	10,500
2025	10,500
2026	<u>10,500</u>
	<u>\$ 69,715</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, 2021

8. DEFERRED GOVERNMENT GRANT

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

	2021	2020
Balance, beginning of year	\$ 9,116	\$ 8,055
Amounts received during the year	31,796	27,622
Less: Amount recognized as revenue during the year	<u>(27,980)</u>	<u>(26,561)</u>
Balance, end of year	<u>\$ 12,932</u>	<u>\$ 9,116</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 (2020 - \$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, 2021

	2021 BUDGET (note 7)	2021 ACTUAL	2020 ACTUAL
ADMINISTRATION			
ABRI technical support	\$ 27,500	\$ 29,575	\$ 26,504
Professional fees	12,000	14,785	22,152
Office	14,000	14,044	14,919
Postage, fax and courier	15,400	13,324	14,482
Bank, interest and credit charges	12,000	11,504	12,397
Internet	8,000	7,679	7,896
Insurance	7,300	7,553	6,651
Computer maintenance	8,000	3,721	1,275
Telephone	4,000	3,282	3,529
Bad debts	1,000	814	1,350
Translation	2,000	679	311
Operating leases	600	599	599
Staff training	1,500	233	596
Subscription	500	213	150
Commission on collections	500	0	0
	<u>\$ 114,300</u>	<u>\$ 108,005</u>	<u>\$ 112,811</u>
BUILDING			
Taxes	\$ 12,000	\$ 10,555	\$ 11,381
Condominium costs	10,500	10,323	10,022
Light, heat and water	3,960	4,151	3,683
Janitor	1,920	1,920	1,920
Maintenance	1,500	1,460	1,635
Insurance	1,440	1,432	1,432
	<u>\$ 31,320</u>	<u>\$ 29,841</u>	<u>\$ 30,073</u>
MEETINGS			
Annual and mid-year meetings	\$ 16,000	\$ 27,075	\$ 4,025
President's travel	1,000	422	214
Committee and special meetings	1,000	252	739
	<u>\$ 18,000</u>	<u>\$ 27,749</u>	<u>\$ 4,978</u>
SALARIES AND BENEFITS			
Salaries	\$ 153,750	\$ 170,298	\$ 107,371
Benefit plan	3,547	9,976	7,541
Canada pension plan	6,584	7,813	5,260
Employment insurance	7,094	2,805	1,914
Workplace safety insurance	1,774	559	392
	<u>\$ 172,749</u>	<u>\$ 191,451</u>	<u>\$ 122,478</u>
AMORTIZATION			
Computer	\$ 5,926	\$ 5,868	\$ 4,144
Building	2,811	2,811	2,883
Furniture and fixtures	947	1,182	893
	<u>\$ 9,684</u>	<u>\$ 9,861</u>	<u>\$ 7,920</u>

JERSEY CANADA

MAGAZINE/PUBLICATIONS REVENUES AND EXPENSES

Schedule 2

FOR THE YEAR ENDED DECEMBER 31, 2021

	2021 BUDGET (note 7)	2021 ACTUAL	2020 ACTUAL
REVENUES			
Advertising, photographs, and colour separations	\$ 37,200	\$ 28,130	\$ 37,480
Less: Discounts	<u>(4,000)</u>	<u>(3,171)</u>	<u>(4,480)</u>
	33,200	24,959	33,000
Membership subscriptions	30,000	30,940	29,130
Publication grant revenue	23,000	23,742	26,501
Subscriptions	6,000	10,387	583
Internet	8,000	5,966	4,280
All Canadian	<u>6,250</u>	<u>1,500</u>	<u>7,317</u>
	<u>106,450</u>	<u>97,494</u>	<u>100,811</u>
EXPENSES			
Salary and benefits	54,299	53,057	53,839
Printing, photographs, and colour separations	21,700	20,192	23,106
Postage	12,200	8,158	8,267
Freelance/translation	7,400	4,594	4,392
Telephone	624	615	621
Travel	1,000	285	4
All Canadian	<u>1,000</u>	<u>0</u>	<u>576</u>
	<u>98,223</u>	<u>86,901</u>	<u>90,805</u>
NET REVENUES OVER EXPENSES for magazine and publications	<u>\$ 8,227</u>	<u>\$ 10,593</u>	<u>\$ 10,006</u>