

JERSEY CANADA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

JERSEY CANADA
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YEAR ENDED DECEMBER 31, 2022

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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, 2022 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, 2022 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
March 2, 2023

Chartered Professional Accountants
Licensed Public Accountants

JERSEY CANADA
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022

	2022	2021
ASSETS		
CURRENT		
Cash	\$ 160,159	\$ 195,121
Investments	302,328	338,393
Accounts receivable	63,316	58,627
Inventory	5,620	3,719
Prepaid expenses	18,348	7,799
Due from Jersey Canada Youth Fund, interest free, unsecured	<u>37,221</u>	<u>28,950</u>
	<u>586,992</u>	<u>632,609</u>
TANGIBLE CAPITAL ASSETS (note 4)	<u>129,138</u>	<u>129,368</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	42,513	47,404
Due to Jersey Canada operating, interest free, unsecured	<u>(37,221)</u>	<u>(28,950)</u>
	<u>5,292</u>	<u>18,454</u>
	<u>\$ 721,422</u>	<u>\$ 780,431</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 91,930	\$ 57,792
Government remittances payable	2,047	1,375
Prepaid subscription revenue	3,810	3,177
Registry advances	20,121	55,349
Deferred government grant (note 8)	<u>5,170</u>	<u>12,932</u>
	<u>123,078</u>	<u>130,625</u>
NET ASSETS		
Net assets invested in capital assets	129,138	129,368
Restricted for Jersey Canada Youth	5,292	18,454
Unrestricted net assets	<u>463,914</u>	<u>501,984</u>
	<u>598,344</u>	<u>649,806</u>
	<u>\$ 721,422</u>	<u>\$ 780,431</u>

APPROVED ON BEHALF OF THE BOARD:

_____ Director

_____ Director

JERSEY CANADA**STATEMENT OF CHANGES IN NET ASSETS****FOR THE YEARS ENDED DECEMBER 31, 2022**

	Invested in Capital Assets	Internally Restricted for Jersey Canada Youth	Unrestricted	Total 2022	Total 2021
BALANCE , beginning of year	\$ 129,368	\$ 18,454	\$ 501,984	\$ 649,806	\$ 581,749
(Shortfall) surplus for the year	(8,868)	(13,162)	(29,432)	(51,462)	68,057
Tangible capital asset additions	<u>8,638</u>	<u>0</u>	<u>(8,638)</u>	<u>0</u>	<u>0</u>
BALANCE , end of year	<u>\$ 129,138</u>	<u>\$ 5,292</u>	<u>\$ 463,914</u>	<u>\$ 598,344</u>	<u>\$ 649,806</u>

JERSEY CANADA
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2022

	2022 BUDGET (note 7)	2022 ACTUAL	2021 ACTUAL
REVENUES			
Registrations, transfers and memberships	\$ 409,250	\$ 395,808	\$ 415,025
Magazine / publications revenues (schedule 2)	105,700	120,363	97,494
D.N.A. testing	20,000	14,138	20,459
Market development	3,000	5,150	1,936
Interest on overdue accounts	3,000	3,300	3,156
Pedigrees / catalogues / reports	2,000	2,444	3,767
Rental	572	1,811	2,372
Investment income	15,000	1,582	14,432
Other	200	300	181
Government grant - amortized capital purchases	<u>0</u>	<u>0</u>	<u>238</u>
	<u>558,722</u>	<u>544,896</u>	<u>559,060</u>
EXPENSES			
Salaries and benefits (schedule 1)	175,429	180,880	191,451
Administration (schedule 1)	118,854	120,647	108,005
Magazine / publications expenses (schedule 2)	96,442	102,890	86,901
Meetings (schedule 1)	29,500	37,327	27,749
Building (schedule 1)	31,860	34,281	29,841
National extension program	50,000	27,737	24,665
Market development	19,950	12,792	7,078
RAWF activities	18,452	12,204	2,830
D.N.A. testing	9,500	7,181	8,245
Staff travel	7,000	2,508	5,848
Special grants and memberships	<u>2,500</u>	<u>2,425</u>	<u>2,569</u>
	<u>559,487</u>	<u>540,872</u>	<u>495,182</u>
(SHORTFALL) SURPLUS before the following:	<u>(765)</u>	<u>4,024</u>	<u>63,878</u>
Amortization (schedule 1)	(4,500)	(8,868)	(9,861)
Unrealized (loss) gain on investments	0	(33,456)	14,629
Gain on foreign exchange	<u>1,000</u>	<u>0</u>	<u>1,291</u>
	<u>(3,500)</u>	<u>(42,324)</u>	<u>6,059</u>
(SHORTFALL) SURPLUS from operations for the year	(4,265)	(38,300)	69,937
JERSEY CANADA YOUTH FUND SHORTFALL (note 5)	<u>0</u>	<u>(13,162)</u>	<u>(1,880)</u>
(SHORTFALL) SURPLUS for the year	<u>\$ (4,265)</u>	<u>\$ (51,462)</u>	<u>\$ 68,057</u>

JERSEY CANADA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

	2022	2021
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
(Shortfall) surplus for the year from operations	\$ (51,462)	\$ 68,057
Add items not requiring an outlay of cash		
Amortization	8,868	9,861
Unrealized (loss) gain on investments	<u>33,456</u>	<u>(14,629)</u>
	<u>(9,138)</u>	<u>63,289</u>
Changes in non-cash working capital balances related to operations:		
Accounts receivable	(4,689)	1,295
Due from Jersey Canada Youth Fund	(8,271)	(2,774)
Inventory	(1,901)	1,186
Prepaid expenses	(10,549)	1,716
Restricted Jersey Canada Youth Fund	13,162	1,880
Accounts payable and accrued liabilities	34,138	36,780
Government remittances payable	672	(7,704)
Prepaid subscription revenue	633	(5,311)
Registry advances	(35,228)	4,947
Deferred government grant	<u>(7,762)</u>	<u>3,816</u>
	<u>(19,795)</u>	<u>35,831</u>
	<u>(28,933)</u>	<u>99,120</u>
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Investments	2,609	(110,192)
Purchase of tangible capital assets	<u>(8,638)</u>	<u>(1,583)</u>
	<u>(6,029)</u>	<u>(111,775)</u>
DECREASE IN CASH for the year	(34,962)	(12,655)
CASH, beginning of year	<u>195,121</u>	<u>207,776</u>
CASH, end of year	<u>\$ 160,159</u>	<u>\$ 195,121</u>

JERSEY CANADA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

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) TANGIBLE CAPITAL ASSETS

Tangible 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, 2022

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 tangible 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 2022 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, 2022

4. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 2022	Net 2021
Office furniture and fixtures	\$ 52,104	\$ 45,144	\$ 6,960	\$ 4,003
Computer equipment	123,954	108,645	15,309	15,756
Building	240,992	134,123	106,869	109,609
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>\$ 488,460</u>	<u>\$ 359,322</u>	<u>\$ 129,138</u>	<u>\$ 129,368</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:

	2022	2021
BALANCE, beginning of year	\$ <u>18,454</u>	\$ <u>20,334</u>
ADD: Revenue	1,640	796
LESS: Expenses	<u>14,802</u>	<u>2,676</u>
	<u>(13,162)</u>	<u>(1,880)</u>
BALANCE, end of year	\$ <u>5,292</u>	\$ <u>18,454</u>

6. LEASE OBLIGATIONS AND COMMITMENTS

The organization is committed to paying monthly condominium fees for the office building, estimated at \$925/month. With the ABRI system, the organization is committed to paying an annual computer support fee of \$27,500, expiring June 30, 2023. Future minimum lease and commitment payments are estimated as follows:

2023	\$ 24,850
2024	11,100
2025	11,100
2026	11,100
2027	<u>11,100</u>
	<u>\$ 69,250</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, 2022

8. DEFERRED GOVERNMENT GRANT

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

	2022	2021
Balance, beginning of year	\$ 12,932	\$ 9,116
Amounts received during the year	32,748	31,796
Less: Amount recognized as revenue during the year	<u>(40,510)</u>	<u>(27,980)</u>
Balance, end of year	<u>\$ 5,170</u>	<u>\$ 12,932</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 (2021 - \$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, 2022**

	2022 BUDGET (note 7)	2022 ACTUAL	2021 ACTUAL
ADMINISTRATION			
ABRI technical support	\$ 30,000	\$ 28,190	\$ 29,575
Professional fees	14,000	22,346	14,785
Office	14,000	16,002	14,044
Postage, fax and courier	15,400	14,134	13,324
Bank, interest and credit charges	12,000	10,405	11,504
Internet	8,000	8,927	7,679
Insurance	8,204	8,490	7,553
Computer maintenance	8,500	6,300	3,721
Telephone	3,300	4,127	3,282
Translation	2,000	646	679
Operating leases	600	599	599
Commission on collections	0	425	0
Staff training	1,500	299	233
Subscription	350	0	213
Bad debts (recovery)	<u>1,000</u>	<u>(243)</u>	<u>814</u>
	<u>\$ 118,854</u>	<u>\$ 120,647</u>	<u>\$ 108,005</u>
BUILDING			
Condominium costs	\$ 10,500	\$ 11,362	\$ 10,323
Taxes	12,000	11,052	10,555
Light, heat and water	4,200	4,395	4,151
Maintenance	1,800	4,120	1,460
Janitor	1,920	1,920	1,920
Insurance	<u>1,440</u>	<u>1,432</u>	<u>1,432</u>
	<u>\$ 31,860</u>	<u>\$ 34,281</u>	<u>\$ 29,841</u>
MEETINGS			
Annual and mid-year meetings	\$ 27,500	\$ 35,810	\$ 27,075
Committee and special meetings	1,000	851	252
President's travel	<u>1,000</u>	<u>666</u>	<u>422</u>
	<u>\$ 29,500</u>	<u>\$ 37,327</u>	<u>\$ 27,749</u>
SALARIES AND BENEFITS			
Salaries	\$ 156,210	\$ 163,126	\$ 170,298
Canada pension plan	7,563	7,396	7,813
Benefit plan	2,894	7,334	9,976
Employment insurance	8,339	2,582	2,805
Workplace safety insurance	<u>423</u>	<u>442</u>	<u>559</u>
	<u>\$ 175,429</u>	<u>\$ 180,880</u>	<u>\$ 191,451</u>
AMORTIZATION			
Furniture and fixtures	\$ 500	\$ 5,200	\$ 1,182
Building	2,000	2,740	2,811
Computer	<u>2,000</u>	<u>928</u>	<u>5,868</u>
	<u>\$ 4,500</u>	<u>\$ 8,868</u>	<u>\$ 9,861</u>

See notes to the financial statements

JERSEY CANADA

MAGAZINE/PUBLICATIONS REVENUES AND EXPENSES

Schedule 2

FOR THE YEAR ENDED DECEMBER 31, 2022

	2022 BUDGET (note 7)	2022 ACTUAL	2021 ACTUAL
REVENUES			
Advertising, photographs, and colour separations	\$ 34,700	\$ 33,538	\$ 28,130
Less: Discounts	<u>(4,000)</u>	<u>(3,598)</u>	<u>(3,171)</u>
	30,700	29,940	24,959
Publication grant revenue	25,000	40,510	23,742
Membership subscriptions	30,000	33,760	30,940
All Canadian	7,000	6,575	1,500
Internet	7,000	5,526	5,966
Subscriptions	<u>6,000</u>	<u>4,052</u>	<u>10,387</u>
	<u>105,700</u>	<u>120,363</u>	<u>97,494</u>
EXPENSES			
Salary and benefits	57,792	49,212	53,057
Printing, photographs, and colour separations	21,000	32,085	20,192
Freelance/translation	7,000	10,039	4,594
Postage	8,200	9,614	8,158
All Canadian	800	1,139	0
Telephone	650	408	615
Travel	<u>1,000</u>	<u>393</u>	<u>285</u>
	<u>96,442</u>	<u>102,890</u>	<u>86,901</u>
NET REVENUES OVER EXPENSES for magazine and publications	<u>\$ 9,258</u>	<u>\$ 17,473</u>	<u>\$ 10,593</u>