

**NATIONAL FARMED ANIMAL HEALTH  
AND WELFARE COUNCIL**

**Financial Statements**  
For the period ended March 31, 2012

**NATIONAL FARMED ANIMAL HEALTH  
AND WELFARE COUNCIL**

**Financial Statements**  
For the period ended March 31, 2012

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BDO Canada LLP  
94 Graham Street  
Woodstock Ontario N4S 6J7 Canada

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## Independent Auditor's Report

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### To the Members of NATIONAL FARMED ANIMAL HEALTH AND WELFARE COUNCIL

We have audited the accompanying financial statements of NATIONAL FARMED ANIMAL HEALTH AND WELFARE COUNCIL, which comprise the statement of financial position as at March 31, 2012, and the statements of operations and surplus and cash flows for the period then ended, and a summary of significant accounting policies and other explanatory information.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, 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.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.



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### **Basis for Qualified Opinion**

In common with many not-for-profit organizations, the Council derives revenue in the form of contributions and membership dues, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to amounts recorded in the records of the organization. We were unable to determine whether any adjustments might be necessary to revenues, excess of revenue over expenditures, assets and surplus.

### **Qualified Opinion**

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the NATIONAL FARMED ANIMAL HEALTH AND WELFARE COUNCIL as at March 31, 2012 and the results of its operations and its cash flows for the period then ended in accordance with Canadian generally accepted accounting principles.

*BDO Canada LLP*

Chartered Accountants, Licensed Public Accountants

Woodstock, Ontario  
June 22, 2012

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**NATIONAL FARMED ANIMAL HEALTH AND WELFARE COUNCIL**  
**Statement of Financial Position**

**March 31**

**2012**

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**Assets**

**Current**

Due from related party (Note 4)	\$	<b>91,879</b>
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**Liabilities and Surplus**

**Current**

Accounts payable and accrued liabilities	\$	<b>3,000</b>
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**Surplus**

**88,879**

	\$	<b>91,879</b>
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Approved on behalf of the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

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**NATIONAL FARMED ANIMAL HEALTH AND WELFARE COUNCIL**  
**Statement of Operations and Surplus**

**For the period ended March 31**

**2012**

**Revenue**

Industry contributions	\$ 107,300
Government contributions	<u>204,230</u>
	<u>311,530</u>

**Expenditures**

Communications	7,715
Meetings and honorariums	16,906
Professional fees	5,452
Research	92,073
Secretariat	107,537
Translation	10,139
Travel	<u>41,822</u>
	<u>281,644</u>

**Other income**

Contribution from related party (Note 4)	<u>58,993</u>
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**Excess of revenue over expenditures**

88,879

**Surplus, end of period**

\$ 88,879

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The accompanying notes are an integral part of these financial statements.

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**NATIONAL FARMED ANIMAL HEALTH AND WELFARE COUNCIL**  
**Statement of Cash Flows**

**For the period ended March 31**

**2012**

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**Cash flows from operating activities**

Excess of revenue over expenditures \$ 88,879

Changes in non-cash working capital items:

Due from related party (91,879)

Accounts payable and accrued liabilities 3,000

-

**Increase in cash**

-

**Cash, beginning of period**

-

**Cash, end of period**

**\$ -**

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The accompanying notes are an integral part of these financial statements.

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# NATIONAL FARMED ANIMAL HEALTH AND WELFARE COUNCIL

## Notes to Financial Statements

March 31, 2012

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### 1. Purpose of the Council

The National Farmed Animal Health and Welfare Council ("Council"), located in Guelph, Ontario, was federally incorporated without share capital on May 20, 2011. The Council's objective is to establish a harmonized and integrated approach to the management of animal health and welfare in Canada. The Council acts as an advisory group to provide scientific, strategic and policy advice and recommendations on animal health and welfare matters to the public and private sectors.

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### 2. Significant Accounting Policies

The financial statements of the Council have been prepared by management in accordance with Canadian generally accepted accounting principles. The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The financial statements have, in management's opinion, been properly prepared using careful judgment with reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

(a) Basis of accounting

The Council follows the accrual basis of accounting under which revenue and expenditures are recorded in the period when earned and incurred.

(b) Income taxes

The Council is incorporated under the Canadian Corporations Act as a not-for-profit organization and therefore is not subject to income taxes as long as it maintains its not-for-profit status.

(c) Financial instruments

The Council's financial instruments consist of amounts due from related party and accounts payable and accrued liabilities. Amounts due from related party and accounts payable and accrued liabilities are classified as loans and receivables and are measured at amortized cost.

Unless otherwise noted, it is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from these financial instruments, and the fair values of these financial instruments approximate their carrying values.

(d) Revenue recognition

The Council follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions and membership fees are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

(e) Contributed services

Members of the Council contribute time and services to assist the Council in carrying out its activities. Contributed services are not recognized in the financial statements.



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## NATIONAL FARMED ANIMAL HEALTH AND WELFARE COUNCIL Notes to Financial Statements

**March 31, 2012**

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### 3. Economic Dependence and Government Support

The operations of the Council are primarily funded by industry and government members. The organization is dependent on funding received from government agencies. Overall, revenue from government represented approximately 66% of total revenue for the period ended March 31, 2012.

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### 4. Related Party Balances and Transactions

The Canadian Animal Health Coalition is related to the Council since the Coalition is appointed as Secretariat for the Council.

(a) At year end, the amount due from the related party is:

	<u>2012</u>
Canadian Animal Health Coalition	<u>\$ 91,879</u>

The amount due from the related party is unsecured and non-interest bearing without specified terms of repayment.

(b) The following table summarizes the transactions with the Canadian Animal Health Coalition during the year:

	<u>2012</u>
<b>Expenditures</b>	
Research	<u>\$ 30,000</u>
Secretariat	<u>\$ 74,796</u>
<b>Other Income</b>	
Contribution	<u>\$ 58,993</u>

Prior to its incorporation on May 20, 2011, the Council's activities were included within the operations of the Canadian Animal Health Coalition. The contribution amount of \$58,993 represents the amount of surplus from the Council's activities that was held by the Canadian Animal Health Coalition as of April 1, 2011. This amount has been transferred to the Council as other income within the statement of operations for the period ended March 31, 2012. The revenues and expenses presented in the financial statements for the Council include all of the Council's activities for the period April 1, 2011 to March 31, 2012 regardless of whether the activities were included within the operations of the Canadian Animal Health Coalition or whether the activities happened after the Council's incorporation on May 20, 2011.

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**NATIONAL FARMED ANIMAL HEALTH AND WELFARE COUNCIL**  
**Notes to Financial Statements**

**March 31, 2012**

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**4. Related Party Balances and Transactions (continued)**

Mark Beaven is related to the Council as he is the Executive Director of the Canadian Animal Health Coalition which acts as the Secretariat for the Council. 2177765 Ontario Limited is related to the Council as it is controlled by Mark Beaven. The following table summarizes the combined transactions with Mark Beaven and 2177765 Ontario Limited during the year:

	<u>2012</u>
Communications	<u>\$ 5,717</u>
Research	<u>\$ 10,654</u>
Travel	<u>\$ 331</u>

The above transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed upon by the related parties.

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**5. Capital**

For the purposes of the following disclosure, the Council considers its capital to comprise the surplus as shown in the Council's statement of operations and surplus.

In managing its capital, the Council's primary objective is to ensure its continued ability to act as an advisory group to improve the management of animal health and welfare in Canada. In order to achieve its objectives, the Council seeks funding from both industry participants and from government agencies.

The Council is not subject to any externally imposed capital requirements.

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**6. Commitments**

In October 2010, the Council appointed the Canadian Animal Health Coalition as Secretariat for a three year term.