

NATIONAL FARMED ANIMAL HEALTH AND WELFARE COUNCIL

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2021

**NATIONAL FARMED ANIMAL HEALTH AND WELFARE COUNCIL
FOR THE YEAR ENDED MARCH 31, 2021**

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INDEPENDENT AUDITORS' REPORT

To the members of the Council

Opinion

We have audited the accompanying financial statements of the National Farmed Animal Health and Welfare Council (the Council), which comprise the statement of financial position as at March 31, 2021, and the statements of operations and surplus and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Council as at March 31, 2021, and its financial performance its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for 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 Council 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.

Other Matter

The financial statements of the Council for the year ended March 31, 2020 were audited by another accounting firm who expressed an unmodified opinion on those financial statements on June 11, 2020.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Council or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for over seeing the Council'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 judgment 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 the 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 Council'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 Council'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 Council 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.

Yale PGC LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
June 11, 2021

NATIONAL FARMED ANIMAL HEALTH AND WELFARE COUNCIL
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2021

	2021	2020
A S S E T S		
CURRENT		
Cash	\$ 723,734	\$ 180,203
Accounts receivable	221,122	105,941
HST rebate receivable	84,819	49,717
Prepaid expenses	8,255	2,410
Undeposited funds	<u>1,120</u>	<u>-</u>
	1,039,050	338,271
RESTRICTED CASH (note 5)	<u>137,800</u>	<u>22,082</u>
TOTAL ASSETS	<u>\$ 1,176,850</u>	<u>\$ 360,353</u>

L I A B I L I T I E S

CURRENT		
Accounts payable and accrued liabilities	\$ 317,924	\$ 185,657
Deferred revenue (note 6)	<u>284,701</u>	<u>-</u>
	602,625	185,657
CANADA EMERGENCY BUSINESS ACCOUNT LOAN (note 7)	<u>30,000</u>	<u>-</u>
TOTAL LIABILITIES	<u>632,625</u>	<u>185,657</u>

N E T A S S E T S

Unrestricted	124,917	174,696
National Farm Animal Care Council Projects	185,560	-
	23,748	-
Internally restricted (note 4)	<u>210,000</u>	<u>-</u>
	544,225	174,696
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,176,850</u>	<u>\$ 360,353</u>

APPROVED ON BEHALF OF THE BOARD

_____ Director

_____ Director

NATIONAL FARMED ANIMAL HEALTH AND WELFARE COUNCIL

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2021

	Council	National Farm Animal Care Council	Projects (Schedule 1)	Total 2021	Total 2020
REVENUE					
Federal support	\$ 121,899	\$ -	\$ 1,574,110	\$ 1,696,009	\$ 352,128
Industry support	118,500	-	16,352	134,852	288,500
Provincial and territorial support	125,200	-	-	125,200	108,160
Administrative revenue	79,282	-	-	79,282	4,483
Forum	23,635	-	-	23,635	25,600
Other income	18,728	11,233	118,233	148,194	-
Membership revenue	-	191,662	-	191,662	-
Interest income	63	158	-	221	367
Project surplus - deferred	-	-	(91,945)	(91,945)	-
	<u>487,307</u>	<u>203,053</u>	<u>1,616,750</u>	<u>2,307,110</u>	<u>779,238</u>
EXPENSES					
Administration	-	12,260	136,394	148,654	22,765
Communications	3,473	26	1,204	4,703	6,229
Contracted services	3,303	85,084	1,248,380	1,336,767	222,987
Direct project costs	-	-	126,961	126,961	172,687
Forum expenses	15,990	-	-	15,990	35,228
Honorariums	-	-	-	-	3,550
Information technology	4,679	-	23,338	28,017	-
Insurance	2,219	-	-	2,219	2,058
Meetings and workshops	-	102	4,515	4,617	5,276
Office and general	9,929	7,317	2,643	19,889	5,444
Professional fees	20,929	-	-	20,929	33,934
Research	4,989	-	-	4,989	3,456
Transition costs	-	-	24,419	24,419	-
Translation	8,133	9,870	3,635	21,638	9,564
Travel	-	367	-	367	51,529
Wages and benefits	253,442	-	21,513	274,955	183,324
	<u>327,086</u>	<u>115,026</u>	<u>1,593,002</u>	<u>2,035,114</u>	<u>758,031</u>
EXCESS OF REVENUES OVER EXPENSES FOR THE YEAR	<u>\$ 160,221</u>	<u>\$ 88,027</u>	<u>\$ 23,748</u>	<u>\$ 271,996</u>	<u>\$ 21,207</u>

NATIONAL FARMED ANIMAL HEALTH AND WELFARE COUNCIL
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2021

	Unrestricted	National Farm Animal Care Council	Projects	Internally Restricted	Total
Balance, beginning of year	\$ 174,696	\$ -	\$ -	\$ -	\$ 174,696
Transfer of net assets on division transition	-	97,533	-	-	97,533
Excess of revenue over expenses for the year	160,221	88,027	23,748	-	271,996
Transfer to restricted fund	<u>(210,000)</u>	<u>-</u>	<u>-</u>	<u>210,000</u>	<u>-</u>
Balance, end of year	<u>\$ 124,917</u>	<u>\$ 185,560</u>	<u>\$ 23,748</u>	<u>\$ 210,000</u>	<u>\$ 544,225</u>

	Unrestricted	National Farm Animal Care Council	Projects	Internally Restricted	Total
2020					
Balance, beginning of year	\$ 153,489	\$ -	\$ -	\$ -	\$ 153,489
Transfer of net assets on division transition	-	-	-	-	-
Excess of revenue over expenses for the year	<u>21,207</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,207</u>
Balance, end of year	<u>\$ 174,696</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 174,696</u>

NATIONAL FARMED ANIMAL HEALTH AND WELFARE COUNCIL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2021

	2021	2020
CASH FLOWS FROM (USED IN)		
OPERATING		
Excess of revenues over expenses	\$ 271,996	\$ 21,207
Adjustment for:		
Loan forgiveness	(10,000)	-
Changes in non-cash working capital:		
- Accounts receivable	(115,181)	(102,418)
- HST rebate receivable	(35,102)	(28,156)
- Prepaid expenses	(5,845)	(1,492)
- Undeposited funds	(1,120)	-
- Accounts payable and accrued liabilities	132,267	131,083
- Deferred income	<u>284,701</u>	<u>-</u>
	<u>521,716</u>	<u>20,224</u>
FINANCING ACTIVITIES		
Canada Emergency Business Account loan	40,000	-
Assumption of divisional surplus	<u>97,533</u>	<u>-</u>
	<u>137,533</u>	<u>-</u>
NET CHANGE IN CASH	659,249	20,224
Cash at beginning of the year	<u>202,285</u>	<u>182,061</u>
CASH AT END OF THE YEAR	<u>\$ 861,534</u>	<u>\$ 202,285</u>
CASH REPRESENTED BY:		
Cash	723,734	180,203
Restricted cash	<u>137,800</u>	<u>22,082</u>
	<u>\$ 861,534</u>	<u>\$ 202,285</u>

NATIONAL FARMED ANIMAL HEALTH AND WELFARE COUNCIL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2021

1. NATURE AND PURPOSE OF THE ORGANIZATION

The National Farmed Animal Health and Welfare Council (the Council), 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.

On April 1, 2020, the National Farm Animal Care Council (NFACC) transitioned to a division of the Council. In addition to this new division, certain projects were also taken on. On June 8, 2020 the Canadian Livestock Transportation project was transferred and effective July 3, 2020 the Canadian Agriculture Partnership Animal Health Emergency Management II project and the NFACC Advancing Animal Welfare and Public Trust through Codes of Practice project were also transitioned.

The Council qualifies as a not-for-profit organization which is exempt from income tax under the *Income Tax Act*.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to both years presented, unless otherwise stated.

Basis of preparation

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Financial instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired.

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.

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.

Contributed services

Members of the Council contribute time and services to assist the Council in carrying out its activities. Due to the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

NATIONAL FARMED ANIMAL HEALTH AND WELFARE COUNCIL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2021

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

The preparation of financial statements in accordance 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 at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from management's best estimates as additional information becomes available in the future.

Government assistance

Government assistance received by the Council is recorded in the statement of operations as revenue. Government assistance in the form of forgivable loans is recorded in the period when conditions around loan forgiveness have been met.

3. ECONOMIC DEPENDENCE AND GOVERNMENT SUPPORT

The Council is dependent on funding received from government agencies. Overall, revenue from government agencies represented approximately 79% of total revenue for the year ended March 31, 2021 (2020 - 59%).

4. INTERNAL RESTRICTIONS

In 2021, the board of directors resolved to restrict \$210,000 for a reserve fund. The Council may not use these internally restricted amounts for any other purpose without the approval of the board of directors.

5. RESTRICTED CASH

	2021	2020
National Farm Animal Care Council	\$ 102,388	\$ -
Canadian Animal Health Institute	29,682	-
Animal Health Canada	<u>5,730</u>	<u>22,082</u>
	<u>\$ 137,800</u>	<u>\$ 22,082</u>

6. DEFERRED REVENUE

Deferred revenue represents unspent resources, externally restricted for projects and operating funds received in the current year that are related to the subsequent year's activities. Changes in the deferred revenue balance are as follows:

	National Farm Animal Care Council	Projects	Total
Balance, beginning of year	\$ -	\$ -	\$ -
Amount transferred on division transition	20,788	-	20,788
Amount transferred on project acquisition	-	29,682	29,682
Less: Amount recognized as revenue in the year	(17,410)	-	(17,410)
Plus: Amount received related to the subsequent year	<u>153,966</u>	<u>97,675</u>	<u>251,641</u>
	<u>\$ 157,344</u>	<u>\$ 127,357</u>	<u>\$ 284,701</u>

NATIONAL FARMED ANIMAL HEALTH AND WELFARE COUNCIL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2021

7. CANADA EMERGENCY BUSINESS ACCOUNT LOAN

Interest free loan payable to the Government of Canada, received as part of COVID-19 relief efforts. Repayment in full on or before December 31, 2022 will result in loan forgiveness of 25% of the original amount received, or \$10,000. Any unpaid loan balance at December 31, 2022 will convert into a three-year term loan bearing interest at 5% per annum.

8. FINANCIAL INSTRUMENTS

Liquidity risk

Liquidity risk is the risk that the organization encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the organization will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset at all. Liquidity risk arises from accounts payable and accrued liabilities.

There have been no changes in this risk or the organization's exposure to it from the previous period.

9. COVID-19

Countries around the world continue to be affected by the COVID-19 pandemic, which was declared a pandemic by the World Health Organization on March 11, 2020. This pandemic has placed restrictive boundaries on how organizations can operate, requiring the closure of non-essential workplaces and social distancing measures. While the Council continues to operate, it is unclear what impact this pandemic will have on its operations going forward. As such, the impact of this event has not been refracted in the financial statements.

10. COMPARATIVE FIGURES

Certain figures for the year ended March 31, 2020 have been reclassified to confirm to the current year presentation.

NATIONAL FARMED ANIMAL HEALTH AND WELFARE COUNCIL
PROJECT SCHEDULE
FOR THE YEAR ENDED MARCH 31, 2021

	Canadian Animal Health Surveillance System (CAHSS)	Animal Health Canada (AHC)	Animal Health Emergency Management (AHM)	Canadian Livestock Transport (CLT)	National Farm Animal Care Council (NFACC)	Total 2021	Total 2020
REVENUE							
Federal support	\$ 364,101	\$ -	\$ 489,630	\$ -	\$ 720,379	\$ 1,574,110	\$ 246,128
Industry support	-	16,352	-	-	-	16,352	185,000
Course revenue	-	-	11,568	106,665	-	118,233	-
	<u>364,101</u>	<u>16,352</u>	<u>501,198</u>	<u>106,665</u>	<u>720,379</u>	<u>1,708,695</u>	<u>431,128</u>
EXPENSES							
Administration	33,100	-	44,512	-	58,782	136,394	22,375
Communications	-	624	-	580	-	1,204	-
Contracted services	319,513	14,936	375,009	6,617	532,305	1,248,380	207,796
Direct project costs	11,296	-	59,053	1,098	55,514	126,961	172,687
Information technology	-	-	-	23,338	-	23,338	-
Meetings and workshops	-	-	4,280	235	-	4,515	-
Office and general	-	-	-	2,643	-	2,643	-
Transition costs	-	-	-	24,419	-	24,419	-
Translation	-	792	-	2,843	-	3,635	-
Travel	-	-	-	-	-	-	6,188
Wages and benefits	192	-	177	21,144	-	21,513	-
	<u>364,101</u>	<u>16,352</u>	<u>483,031</u>	<u>82,917</u>	<u>646,601</u>	<u>1,593,002</u>	<u>409,046</u>
Excess of revenues over expenses for the year	-	-	18,167	23,748	73,778	115,693	22,082
Transfer of project surplus to deferred revenue	-	-	(18,167)	-	(73,778)	(91,945)	-
NET PROJECT REVENUE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,748</u>	<u>\$ -</u>	<u>\$ 23,748</u>	<u>\$ 22,082</u>