

ANIMAL HEALTH CANADA

FINANCIAL STATEMENTS

MARCH 31, 2023

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INDEPENDENT AUDITORS' REPORT

To the members of the Organization

Opinion

We have audited the accompanying financial statements of the **Animal Health Canada** (the Organization), which comprise the statement of financial position as at March 31, 2023, and the statements of operations, changes in net assets 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 Organization as at March 31, 2023, 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 for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' 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 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 Organization'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 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.

Auditors' 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 auditors' 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 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 auditors' 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 auditors' 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.

Yale PGC LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
September 28, 2023

ANIMAL HEALTH CANADA
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2023

	2023	2022
ASSETS		
CURRENT		
Cash	\$ 680,218	\$ 659,205
Accounts receivable	626,020	394,608
HST rebate receivable	137,618	134,179
Prepaid expenses	32,012	9,382
Undeposited funds	<u>1,230</u>	<u>790</u>
	1,477,098	1,198,164
RESTRICTED CASH (note 4)	<u>134,217</u>	<u>132,350</u>
TOTAL ASSETS	<u>\$ 1,611,315</u>	<u>\$ 1,330,514</u>

LIABILITIES

CURRENT		
Accounts payable and accrued liabilities	\$ 634,112	\$ 519,341
Deferred revenue (note 5)	97,866	71,493
Canada Emergency Business Account Loan (note 6)	<u>30,000</u>	<u>-</u>
	761,978	590,834
CANADA EMERGENCY BUSINESS ACCOUNT LOAN (note 6)	<u>-</u>	<u>30,000</u>
TOTAL LIABILITIES	<u>761,978</u>	<u>620,834</u>

NET ASSETS

Unrestricted	341,011	252,127
National Farm Animal Care Council Operations	216,062	200,281
Canadian Livestock Transport Operations	68,817	36,373
Projects	13,447	10,899
Internally restricted (note 7)	<u>210,000</u>	<u>210,000</u>
	<u>849,337</u>	<u>709,680</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,611,315</u>	<u>\$ 1,330,514</u>

APPROVED ON BEHALF OF THE BOARD

_____ Director

_____ Director

ANIMAL HEALTH CANADA
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2023

	Animal Health Canada and Forum	National Farm Animal Care Council Operations	Canadian Livestock Transport Operations	Projects (Schedule 1)	Total 2023	Total 2022
REVENUE						
Federal support	\$ 132,294	\$ -	\$ -	\$ 2,327,256	\$ 2,459,550	\$ 2,223,152
Industry support	118,500	-	-	97,703	216,203	262,889
Provincial and territorial support	146,235	-	-	-	146,235	174,058
Administrative revenue	141,850	-	-	-	141,850	135,122
Forum	88,178	-	-	-	88,178	19,950
Course revenue	37,946	-	72,671	-	110,617	106,737
Other income	1,488	161	-	-	1,649	5,354
Membership revenue	-	194,180	-	-	194,180	160,896
Interest income	420	1,447	-	-	1,867	281
	<u>666,911</u>	<u>195,788</u>	<u>72,671</u>	<u>2,424,959</u>	<u>3,360,329</u>	<u>3,088,439</u>
EXPENSES						
Administration	924	16,638	6,000	197,614	221,176	197,548
Communications	2,121	-	3,260	-	5,381	6,958
Contracted services	66,975	108,913	4,339	1,186,840	1,367,067	1,802,638
Direct project costs	-	-	333	249,861	250,194	129,962
Dues and memberships	593	-	-	-	593	3,248
Forum expenses	32,899	-	-	-	32,899	14,321
Health and safety	-	-	-	-	-	189
Human resources	8,695	-	-	-	8,695	9,557
Information technology	15,197	-	24,247	309	39,753	46,906
Insurance	2,821	-	-	-	2,821	2,649
Meetings and workshops	904	19,670	-	146,609	167,183	8,037
Office and general	3,614	876	2,048	-	6,538	10,029
Professional fees	15,770	2,177	-	-	17,947	13,710
Research	36,379	-	-	-	36,379	41,869
Translation	17,412	4,184	-	-	21,596	14,028
Travel	8,316	8,274	-	-	16,590	152
Wages and benefits	365,407	19,275	-	641,178	1,025,860	621,183
	<u>578,027</u>	<u>180,007</u>	<u>40,227</u>	<u>2,422,411</u>	<u>3,220,672</u>	<u>2,922,984</u>
EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR						
	<u>\$ 88,884</u>	<u>\$ 15,781</u>	<u>\$ 32,444</u>	<u>\$ 2,548</u>	<u>\$ 139,657</u>	<u>\$ 165,455</u>

ANIMAL HEALTH CANADA
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2023

	Unrestricted	National Farm Animal Care Council Operations	Canadian Livestock Transport Operations	Projects	Internally Restricted	Total
Year ended March 31, 2023						
Balance, beginning of year	\$ 252,127	\$ 200,281	\$ 36,373	\$ 10,899	\$ 210,000	\$ 709,680
Excess of revenue over expenses for the year	<u>88,884</u>	<u>15,781</u>	<u>32,444</u>	<u>2,548</u>	<u>-</u>	<u>139,657</u>
Balance, end of year	<u>\$ 341,011</u>	<u>\$ 216,062</u>	<u>\$ 68,817</u>	<u>\$ 13,447</u>	<u>\$ 210,000</u>	<u>\$ 849,337</u>

	Unrestricted	National Farm Animal Care Council Operations	Canadian Livestock Transport Operations	Projects	Internally Restricted	Total
Year ended March 31, 2022						
Balance, beginning of year	\$ 125,007	\$ 185,560	\$ 23,748	\$ (90)	\$ 210,000	\$ 544,225
Excess of revenue over expenses for the year	<u>127,120</u>	<u>14,721</u>	<u>12,625</u>	<u>10,989</u>	<u>-</u>	<u>165,455</u>
Balance, end of year	<u>\$ 252,127</u>	<u>\$ 200,281</u>	<u>\$ 36,373</u>	<u>\$ 10,899</u>	<u>\$ 210,000</u>	<u>\$ 709,680</u>

ANIMAL HEALTH CANADA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2023

	2023	2022
CASH FLOWS FROM (USED IN)		
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 139,657	\$ 165,455
Changes in non-cash working capital:		
- Accounts receivable	(231,412)	(173,486)
- HST rebate receivable	(3,439)	(49,360)
- Prepaid expenses	(22,630)	(1,127)
- Undeposited funds	(440)	330
- Accounts payable and accrued liabilities	114,771	201,417
- Deferred revenue	<u>26,373</u>	<u>(213,208)</u>
	<u>22,880</u>	<u>(69,979)</u>
NET CHANGE IN CASH	22,880	(69,979)
Cash at beginning of the year	<u>791,555</u>	<u>861,534</u>
CASH AT END OF THE YEAR	<u>\$ 814,435</u>	<u>\$ 791,555</u>
CASH REPRESENTED BY:		
Cash	680,218	659,205
Restricted cash	<u>134,217</u>	<u>132,350</u>
	<u>\$ 814,435</u>	<u>\$ 791,555</u>

ANIMAL HEALTH CANADA
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023

1. STATUS AND PURPOSE OF THE ORGANIZATION

Animal Health Canada (the Organization), previously known as The National Farmed Animal Health and Welfare Council, was federally incorporated without share capital on May 20, 2011. The Organization's objective is to establish a harmonized and integrated approach to the management of animal health and welfare in Canada. The Organization 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.

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

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations, and include the following significant accounting policies:

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 these estimates. The financial statement item that requires the use of estimates is accruals.

Revenue recognition

The Organization 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.

Financial instruments

The Organization initially measures its financial assets and liabilities at fair value. The Organization subsequently measures all its financial assets and liabilities at cost or amortized cost.

Financial assets subsequently measured at amortized cost include cash, accounts receivable and undeposited funds. Financial liabilities subsequently measured at amortized cost include accounts payable and accrued liabilities.

Impairment

Financial assets measured at cost or amortized cost are tested for impairment when there are indicators of impairment.

ANIMAL HEALTH CANADA
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed services

Members of the Organization contribute time and services to assist the Organization in carrying out its activities. Contributed services are not recognized in the financial statements because of the difficulty in determining their fair value.

Government assistance

Government assistance received by the Organization 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 Organization is dependent on funding received from government agencies. Overall, revenue from government agencies represented approximately 78% of total revenue for the year ended March 31, 2023 (2022 - 78%).

4. RESTRICTED CASH

	2023	2022
National Farm Animal Care Council	\$ 104,535	\$ 102,668
Canadian Animal Health Institute	<u>29,682</u>	<u>29,682</u>
	<u>\$ 134,217</u>	<u>\$ 132,350</u>

5. 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	\$ 5,712	\$ 65,781	\$ 71,493
Less: Amount recognized as revenue in the year	(2,594)	(39,399)	(41,993)
Plus: Amount received related to the subsequent year	<u>-</u>	<u>68,366</u>	<u>68,366</u>
	<u>\$ 3,118</u>	<u>\$ 94,748</u>	<u>\$ 97,866</u>

6. 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, 2023 will result in loan forgiveness of 25% of the original amount received, or \$10,000. Any unpaid loan balance at December 31, 2023 will convert into a three-year term loan bearing interest at 5% per annum.

ANIMAL HEALTH CANADA
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023

7. INTERNAL RESTRICTIONS

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

8. FINANCIAL INSTRUMENTS

Liquidity risk

Liquidity risk represents the risk that the Organization encounter difficulty in meeting its obligations associated with financial liabilities. The Organization is exposed to liquidity risk with respect to its accounts payable and accrued liabilities and Canada Emergency Business Account loan. The Organization mitigates this risk by having positive working capital available and maintaining a balance of cash.

**ANIMAL HEALTH CANADA
PROJECT SCHEDULE
FOR THE YEAR ENDED MARCH 31, 2023**

	Canadian Animal Health Surveillance System (CAHSS-033)	Animal Health Emergency Management (AHEM-051)	National Farm Animal Care Council (NFACC-050)	Enhancing Poultry and Livestock Handling and Transportation Training (CLT-058)	African Swine Fever (ASF)		Total 2023	Total 2022
					Canadian Food Inspection Agency (CFIA)	Industry		
REVENUE								
Federal support	\$ 714,412	\$ 810,704	\$ 579,814	\$ 130,648	\$ 91,678	\$ -	\$ 2,327,256	\$ 2,095,522
Industry support	-	-	-	-	-	97,703	97,703	104,389
	<u>714,412</u>	<u>810,704</u>	<u>579,814</u>	<u>130,648</u>	<u>91,678</u>	<u>97,703</u>	<u>2,424,959</u>	<u>2,199,911</u>
EXPENSES								
Administration	63,154	73,700	43,650	11,877	-	5,233	197,614	181,720
Contracted services	264,285	337,629	358,685	110,934	91,678	23,629	1,186,840	1,581,782
Direct project costs	34,601	126,066	88,269	-	-	925	249,861	128,225
Information technology	-	-	-	-	-	309	309	520
Meetings and workshops	24,061	84,085	31,384	1,228	-	5,851	146,609	7,263
Wages and benefits	328,311	189,224	57,826	6,609	-	59,208	641,178	289,412
	<u>714,412</u>	<u>810,704</u>	<u>579,814</u>	<u>130,648</u>	<u>91,678</u>	<u>95,155</u>	<u>2,422,411</u>	<u>2,188,922</u>
NET PROJECT REVENUE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,548</u>	<u>\$ 2,548</u>	<u>\$ 10,989</u>