



Annual Report 2015

Mission Statement

To provide leadership through genetic improvement programs to enhance profitability for all dairy producers.



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133rd Annual General Meeting of Members

Rimrock Resort, Banff, Alberta
Breakfast in the Wildrose Foyer starting at 7 a.m.

2016 AGENDA

1. Welcome and National Anthem
2. Call to Order
3. Approval of the Agenda
4. Moment of silence in memory of departed members of the Holstein Canada family
5. Minutes of 2015 Annual General Meeting of Members
6. Address of the President: **John Buckley**
7. Address of the Chairman of the Board: **Robert Chabot**
8. Chief Executive Officer Report: **Ann Louise Carson**
9. 2015 Financial Report: **Orville Schmidt**
10. Presentation of the 2016 Budget: **Orville Schmidt**
11. Appointment of Audit Firm: **Orville Schmidt**
12. Introduction of Industry Partners: **Ben Cuthbert**
13. Remarks from International Guests & Dairy Farmers of Canada
14. Presentations
 - a. Century of Holsteins Award: **Nancy Beerwort**
 - b. Superior Achievements: **Doug Peart**
15. 2015 Member Resolutions: **Harry Van der Linden & Angus Mackinnon**
16. Update on Classification Program: **Gerald Schipper**
17. Update on Breed Strategy *Vision 2020*: **Gilles Côté**
18. Members' Input Session
19. Invitation to the 2017 National Convention and AGM in Ontario
20. Thank you to John and Karen Buckley: **Robert Chabot & Catherine Archambault**
21. 2015 Cow of the Year: **Ron Boerchers**
22. Adjournment

GUEST SPEAKER: Sid Marty – to follow immediately

Master Breeder Gala: 6:00 p.m. – Elyse Gendron & Harry Van der Linden as MCs



John Buckley
President

The morning after the amazing 2015 Convention in New Brunswick, I found myself at the helm of an Association that has been part of my life for over 50 years. It was so humbling and the reality hadn't really sunk in when I was quickly asked by our CEO to share my priority for the year. The answer was easy: you, our members, are priority #1. Getting to know you, listening to you, walking in your barns, making sure we offer the programs and services you need in this changing industry.

That priority guided our Board for the next 12 months. What a year it has been – we learned so much from our conversations in your barns, at meetings, ringside or even at the local coffee shop.

Dairy farming is about managing the challenging times; celebrating the great times; accepting certain factors are out of your control; and knowing the sun will come up, even after four days of rain during hay season. You keep this faith because you know your family, neighbours and industry are there for you. It is Holstein Canada's priority to be one of the pillars you rely on during both the good and the challenging times.

Managing Challenges - Finding Solutions Together

Being a pillar for you was the motivating factor in remaining closer than ever to our partner the Dairy Farmers of Canada (DFC). During the TPP discussions, we were there for DFC, who does an outstanding job lobbying on behalf of all dairy producers. We were also there for our members, to keep the information flowing. When it comes to international trade discussions directly impacting our daily lives, you can never communicate too much.

The rain passed, the sun came up and you were clearly motivated to continue to produce top quality milk in

optimal animal care conditions – nothing new there. However, we were all reminded of the importance of reaching out to our consumers – the best way to promote and protect our Supply Management system. This is another reason why Holstein Canada is very pleased to collaborate with DFC on the Animal Care pillar of proAction®. This very proactive program will help educate consumers on the stringent standards Canadian dairy producers adhere to every day.

Celebrating the Great Times

After spending 12 months closely connected to our loyal membership, it is quite a task to limit the events worthy of celebrating. I'm happy to share three messages, which, for me, hit home loud and clear:

Our youth – I have never been more encouraged about the future of dairy farming in Canada! During my travels across the country, I met passionate, intelligent, hardworking and fun loving kids, teenagers and young adults. They all have great plans for their education and careers, and some could even describe the barn they want to build and the cows they want to milk. We “older” folk just have to give them a little guidance and a little space; our challenge will be keeping up to their pace of change. Holstein Canada is committed to doing this.

Our cattle – whether in your barns, or seeing the incredible line ups at the Royal and other shows, let's just say it: our cattle have never been better! This is due to a great combination of your management skills, great sires, our genetic evaluation system and newer tools such as genomics, all complementing our important core services of Registration and Classification. Our national herd is constantly evolving in both production and conformation, offering us the profitable, long lasting cow we all want to milk. The road Holstein Canada needs to take is not only to make sure our services “keep up” to the change, but to pave the way for this constant evolution by working with our Partners.

Our logo – our Canadian cow continues to be admired on the world stage. I saw this firsthand at the World Dairy Expo, in Japan and when we hosted Holstein enthusiasts from ten countries for the Conference of the Americas. The Holstein Canada logo signifies a cow second to none, and this success is due to the work of members, AI companies, exporters

THE ROYAL



"There are no better cows in one place at the same time anywhere in the world."

WCC



"Our youth has such contagious energy."

HOLSTEIN QUÉBEC PICNIC



"This impressive activity has to be seen to be believed."

JAPAN



"The power of our logo, in rural Canada and abroad, is overwhelming."

and industry programs. World milk prices and other factors have drastically changed the international marketplace, however, I firmly believe if we continue to work together and never take our reputation for granted, great things will continue to be achieved.

Thank you!

It has been an unforgettable journey over the last 12 months, and one only made possible thanks to many. A heartfelt thank you to:

- The devoted Holstein Canada Board members who were by my side, whether during intense discussion at the Board table or behind a row of great cows. The members have sent us the best and in turn, we stand united and determined to serve you to the level you deserve.
- Our devoted Holstein Canada Team in the barns and at the office. They know they work for you, our members, and nothing seems to rattle them – no problem is left without a solution.
- My devoted wife Karen – "my girl Friday" – and our family. They have been with me every step of the way and this past year, they made many extra steps in my absence. I am so grateful for their love and support.
- I want to thank the many Holstein Canada members of the past. Without their vision and hard work, Holstein Canada would not be where we are today. We owe them a great deal.
- And most importantly, a big thank you to all Holstein Canada members for setting the bar so high. You have our commitment that we will continue to ask you what you need, and we know we can count on you telling us. Please keep the feedback coming!

Respectfully,

John Buckley

John Buckley



Robert Chabot
Chairman

It was with great pleasure and pride that I chaired the Board of Directors this past year – a Board comprised of 12 member producers from across Canada, each with a different background and vision of the industry. This diversity combined with a shared passion for the Holstein Cow is what makes our association strong.

During the year, we met on five occasions in various locations from New Brunswick to Alberta. Each time, we revised our strategic plan and assessed our progress. During our summer meeting, we met in Alberta where we had the opportunity to visit and exchange ideas with many members, as well as interacting with participants of the Western Canadian Classic (WCC).

Our eleven committees have made contributions to industry committees. To this end, we are proud to have played a role in the development of a new genetic index with an economic component, *Pro\$*, and in a renewed LPI with added emphasis on sustainability in order to reflect the Canadian reality and reputation.

During the past year, we approved the hiring of additional field staff to improve our presence and follow-up with our members from the Atlantic and Western Canada regions, as well as to provide support to the representatives already in place with our two largest branches.

Significant effort and investments have been made in our new Herdbook. The first phase is now in place and other phases, as well as the rewrite of our classification software, are on the agenda for this year. We have also examined how our industry could be more efficient in the transfer of data from the farm to the genetic improvement programs.

We also worked on international development. Last November, we hosted the Conference of the Americas. During the five days of activities, representatives from all the major Holstein associations from North, South and Central America were present. I had the opportunity to chair the meeting where time was spent

learning from each other, sharing our concerns and finding new ways to collaborate. In addition, Holstein Canada representatives visited Japan, the World Dairy Expo in Madison and, most recently, attended the World Holstein Conference in Argentina.

Everyday our Board of Directors works hard to ensure that Holstein Canada remains close with and attentive to its members. We see the future in a positive light and wish to continue our mission for all members across the country.

Respectfully,

A handwritten signature in blue ink, appearing to read 'Robert Chabot'.

Robert Chabot



The Board in your Barn



John W Buckley, ON (President)



Robert Chabot, QC (VP)



Orville O. Schmidt, AB (2nd VP)



Ben Cuthbert, BC



Ron Boerchers, MB



Doug Peart, ON



Gerald Schipper, ON



Nancy Beerwort, ON



Gille Côté, QC



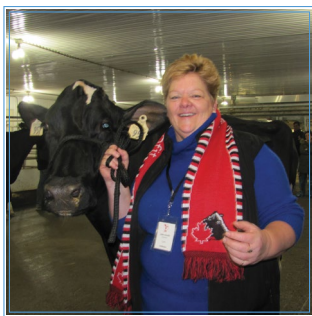
Angus Mackinnon, QC



Elyse Gendron, QC



Harry Van der Linden, NS



Ann Louise Carson
Chief Executive Officer

Dairy Farmers have been multi-tasking since before the now-popular term was even coined! It only seems right that the Holstein Canada team follows your lead, multi-tasking on multiple calendars:

- 2015 was year one of our **three-year Strategic Plan, divided into three pillars with three projects each** (see page 7). Progress was made on many projects as we strived to stay focused, while also remaining open to adjusting to our rapidly changing industry. Working with our Genetic Industry Partners (3a *Partner Collaboration*) on Pro\$ is an example of 1a – *Value added Services*. We stepped up *International Promotion* (3b), never forgetting *Young Leaders* (1c) and began standardizing our *Shows and Judging Program* (3c) with our Branches.
- The 2015 **calendar year** saw significant success for core services, processing our second highest amount of registrations in Holstein Canada history. While we fell behind in Genotesting and Classification visits, we maintained the number of cows classified. Count on us to address these challenges!
- Our third calendar reflects a **Board year's** start /end at this AGM – where the members make important decisions which guide us.

In this "Board year", significant time was devoted to preparing for the transition to our new *Herdbook* software in February 2016. A project of such magnitude, which in our case happens every 20 years, was the main focus point. We thank members for their support during our transition, and we look forward to the many opportunities our "new data barn" will bring.

Our Herdbook has been instrumental in allowing us to welcome registrations from five other breeds. We appreciate the close working relationship we have with our sister breed Associations, a welcomed extension to our All Breeds Classification services.

Our Herdbook was certainly the key project from a technology perspective. As mentioned, there are many more updates and upgrades to come over the next several months. On the same theme, extensive research began on our *On-Farm Data Access* (2c) project. We heard your message loud and clear – Partners need to keep up to your pace when it comes to data and technology. We are on top of this – with our Partners.

In other *Partner Collaboration* (3a) news, we are proud of our ever-growing connection with the Dairy Farmers of Canada, especially with respect to proAction®, as we finalize steps to begin Animal Care Assessment visits in late 2016.

The Holstein Canada Team's commitment to you is to stay focused, meet challenges, continue with what is going well and change what needs to be changed. We know two ways to do this: 1. By listening; and 2. By *communicating* with you (Project 1b).

A very special Thank You goes to the amazing Holstein Canada Team. Whether they are on your farm, on the phone or on a screen, my devoted colleagues know they have the pleasure of working for our members. Since you can't all guide us, you elect some forward-thinking and extremely supportive Directors who motivate the team to be the best we can be.

Allow me a very special Thank You to my travelling buddy, President John. His calm, steady and positive leadership style has been inspiring – surpassed only by his loyalty to members.

Respectfully submitted,

Ann Louise Carson

Adapting to today's and tomorrow's realities

*Holstein Canada members have the privilege of connecting their **Passion and Profit** in a supply management context. In full support of the three pillars of this unique production system, Holstein Canada will in turn work with three of its own pillars to support members in our evolving industry. These goals are designed to contribute to the Canadian Breed Strategy "2020 Vision".*

1/ ON-FARM REALITY	2/ TECHNOLOGY REALITY	3/ INDUSTRY / MARKET REALITY
1A. Value-added services To emphasize profitability of core services/tools and to develop processes which increase their on-farm profitability and usage	2A. Multi Breed Herdbook To deliver integrated software which facilitates timely and efficient on-farm processes and information access	3A. Partner Collaboration To work closely with all Industry Partners (genetic and DFC) to facilitate efficient on-farm and administrative services
1B. Communication / Extension To be proactive in communicating and promoting existing and newly developed tools and services	2B. Classification To develop and globally market a state-of-the-art classification software	3B. International Promotion To actively support the success of Canadian genetics and services on the global market
1C. Young Leaders To engage the next generation, offering programs to meet their specific needs	2C. Data Access To discover, facilitate exchange and use of data from (1) on-farm software/data (2) other business or partners (i.e., sale barns, ET, vets) in order to enhance current services and add value for future services	3C. Shows & Judging To develop and promote a standard program for the successful promotion of Canadian cattle on the domestic & global markets

// The Board Committees of 2015 - 2016

Awards <i>Committee Chair:</i> Ron Boerchers (MB) Doug Peart (ON) Nancy Beerwort (ON)	Breed Advisory <i>Committee Chair:</i> Elyse Gendron (QC) Gilles Côté (QC) Olivier Leclerc (QC) Ian Crosbie (SK) Mathieu Lemire (QC) John Schenkels (NB) Josh Ireland (ON)	Cow of The Year <i>Committee Chair:</i> Ron Boerchers (MB) Tom Hawman (ON) Jocelyn Nault (QC) Lorne Briscoe (ON) Stéphane Dufour (QC)	Governance <i>Committee Chair:</i> Elyse Gendron (QC) Robert Chabot (QC) Angus Mackinnon (QC) John Buckley (ON) National/Branch Joint Meeting Representatives <i>Committee Chair:</i> Harry Van der Linden (NS)	Show <i>Committee Chair:</i> Orville Schmidt (AB) Nancy Beerwort (ON) Markus Hehli (AB) John DeVries (ON) Tyler Doiron (QC) Thierry Jaton (QC) Jamie Lewis (PE) Alan Hawthorne (ON) Herb Henderson (ON)
Audit, Risk Management and Finance <i>Committee Chair:</i> Orville Schmidt (AB) Ron Boerchers (MB) Harry Van der Linden (NS) Doug Peart (ON) Ralph Martin (ON)	Classification Advisory <i>Committee Chair:</i> Gerald Schipper (ON) Ben Cuthbert (BC) D.R. Vaandrager (BC) Callum McKinven (QC) Bloyce Thompson (PE) Frank Donkers (ON) Dan Aitken (ON) Dr. Gord Atkins (AB) Brian Carscadden (ON)	Election <i>Committee Chair:</i> Glen McNeil (ON) Kevin Werry (ON) James Cranston (ON)	Robert Chabot (QC) Doug Peart (QC) John Buckley (ON) Ben Cuthbert (BC)	Young Leader Advisory <i>Committee Chair:</i> Angus Mackinnon (QC) Stephanie Warner -Murphy (ON) Nick Brown (NB) Mélissa Marcoux (QC) Kenton Lindenbach (SK)

#HolsteinPassion

Dedication to our members doesn't come without dedicated staff. These six long-standing staff share their perspectives on technology over the years.



Bruno Jubinville

From Cow boy to cow man, Bruno Jubinville, National Classification Coordinator has been working as a classifier for 20 proud years.

"I am fortunate and honoured to have had the chance to travel across Canada for the past 20 years, along with colleagues who are passionate about cows, and rub shoulders with the best breeders in the world – members of Holstein Canada!"

Chris McGovern

When did you start? 1979 (I must have been three!)

What was your position when you started, and what is your position now? I started in what was called the check room. I pulled dam cards (little blue recipe cards that were created for each animal) from files, and they were used to validate each calf registration. My position now is Business Systems Analyst... I do whatever anyone needs me to do! The in-between was quite a ride!! I love rides!!!

What is the biggest difference that you find from back then to now? Customer service and technology. When I started, the main form of communication with our customers was by letter, there were no phone calls or no emails. It was "type a letter and put it in the mail", and most correspondence filtered through two staff members.

Over the years we have become more customer service-oriented – phone calls, emails; just sharing information to provide our producers with the service and information they deserve. It was such a pleasure to interact personally with our producers. Similarly, we have incorporated technology into our services, maybe not as fast as technology has advanced, but the advancement has been incredible and there's no limit to where we will go!

What has been the highlight of your career?

At this point in time I would say there have been two highlights: 1. ERA – (Electronic Registration Application) registration rewrite in 2002 – accepting registrations electronically and processing them in an automated fashion - receive an electronic registration request and if there are no validation failures, the animal is registered and available on the web within 15-30 minutes. 2. MBIC – (multi breed / international classification) classification rewrite in 2005 – a mobile platform for classifiers, automatically synching scheduling and classification data between the classifier and head office. Again, if there are no validation failures, the animal record is updated and the



Carolyn Turner

27 Dresses? 22 years of Holstein dedication! Carolyn Turner, National Classification Coordinator has been a classifier since 1994. Carolyn's passion for the breed is not only evident in her wardrobe, but also in the friendly all-breed service she provides and the true passion she has for her job and fellow colleagues.

These six staff combine for a total of 191 years of dedicated service to our members!

classification is available on the web within 15-30 minutes. BUT... by AGM time, I am counting on the launch of Herdbook 2016 being at the top of the list!

Lisa Wells

When did you start? 1990

What was your position when you started, and what is your position now? I started out in Mail Services, filing and opening mail. Now I am the Quality Assurance and Training Assistant with the Business and Technology Solutions department.

What is the biggest difference that you find from back then to now? More Computerized, back then mostly paper work - all registration were submitted by paper.

What has been the highlight of your career? Watching and growing with the organization, and reaching 25 years of service.

Toni Welsh

When did you start? 1973

What was your position when you started, and what is your position now? I started as a typist - certificates of registry and transfers. Now I am in customer service / Parentage Research.

What is the biggest difference that you find from back then to now? The grass roots are the same as they have always been, but the technology has certainly changed!

What has been the highlight of your career? Assisting customers and meeting many people from the industry. I have created many friendships along the way.

Margaret McDonald

When did you start? July 1970

What was your position when you started, and what is your position now? I was hired as a bilingual person, I started with pulling and filing animal cards into file cabinets. I progressed to checking the applications for registrations, the name check room. Today, and for the last few years, I have worked as part of the customer service team..

What is the biggest difference that you find from back then to now? For me, I feel blessed to have had those initial years at Holstein because those were years when we did our work but had fun too, great memories.

In so far as the work and the work flow, Holstein Canada moves forward as it should, when technology enables it to do so, always driven by producer needs. We can't and should not stop progress!

What has been the highlight of your career?

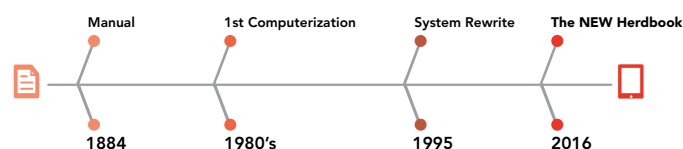
Having a steady job, with steady hours has allowed me to raise my family, which made it easy to balance the two. The interaction with our producers without a doubt would be the highlight of my career and at times the only reason why I have worked here so long. That part of working here has been gratifying and has been a pleasure.



Lisa Wells, Chris McGivern, Toni Welsh and Marg McDonald

THE EVOLUTION OF HERDBOOK

Several of our long-standing staff have seen the evolution of our Herdbook, from manual paper processes to where it is today.



Conformation Assessment Activity

	2015	2014	2013	2012	2011	2010
REGULAR	11,564	11,492	12,176	10,905	12,864	13,755
MID-ROUNDS	4,541	5,708	4,823	5,253	4,918	4,828
HOLSTEIN ANIMALS	244,236	244,919	248,417	236,569	235,097	239,651
OTHER DAIRY BREED ANIMALS	17,037	17,979	18,161	16,273	16,097	16,250
TOTAL ANIMALS	261,273	262,898	266, 578	252, 842	251, 194	255,901

Statement of Operations (Comparative by Province)

	TOTAL MEMBERSHIPS		TOTAL REGISTRATIONS		TOTAL TRANSFERS		GENOMIC TESTS	
	2015	2014	2015	2014	2015	2014	2015	2014
BRITISH COLUMBIA	390	406	21,185	19,767	1,256	1,206	1,520	2,126
ALBERTA	459	471	24,217	23,715	1,524	1,671	711	534
SASKATCHEWAN	130	127	6,688	6,293	554	747	481	633
MANITOBA	254	261	10,917	9,490	493	583	414	977
ONTARIO	3,814	3,860	103,472	98,969	9,592	11,072	4,658	4,920
QUEBEC	4,802	4,873	101,525	100,863	12,242	11,691	9,037	8,862
NEW BRUNSWICK	179	185	5,189	5,445	194	221	996	2,512
PRINCE EDWARD ISLAND	168	177	4,446	4,193	774	979	154	298
NOVA SCOTIA	190	203	4,935	5,222	268	514	327	302
NEWFOUNDLAND	16	16	1,281	1,110	25	92	450	674
INTERNATIONAL	3	5	0	2	630	716	0	1
TOTALS:	10,405	10,584	283,855	275,069	27,552	29,492	18,748	21,839

2015 marked the 10-year anniversary of Holstein Canada classifying all dairy breeds!



CENTURY OF HOLSTEINS*For the Last 100 Years of Continuous Holstein Canada Membership*

1913 - 2015	WEBB VIEW	Descendants of John Webb	Roseneath, ON
1914 - 2015	HIGH POINT	Descendants of George S. Smith	Port Perry, ON
1916 - 2015	DOWNALANE	Descendants of C. H. Brown	Fenwick, ON

CERTIFICATE OF RECOGNITION*Award recognizing significant contributions to the dairy industry with provincial/regional impact*

Bruce Witmer	SPEEDSIDE HOLSTEINS	Cambridge, ON
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CERTIFICATE OF SUPERIOR ACCOMPLISHMENT*Award recognizing significant contributions to the dairy industry with national/international impact*

Norm & Marj Atkins	CONTINENTAL HOLSTEINS	Leduc, AB
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MASTER BREEDER AWARDS*Awarding Breeding Excellence*

3 rd	BOSDALE	Bosdale Farms Inc	Cambridge, ON
1 st	CHAMPS D'OR	André Bédard & Chantal Ladouceur	Mirabel, QC
2 nd	CROVALLEY	Crovalley Holsteins	Hastings, ON
2 nd	DELCREEK	Peter Rylaarsdam	Winchester, ON
1 st	DELISKA	Gilles Boivin	Les Éboulements, QC
1 st	DONELEA	Howard W. Doner	Cannington, ON
1 st	DRÉBERT	Robert Séguin & Fils	Ste. Marthe, QC
2 nd	EVERGRAZE	Evergraze Holsteins Ltd	Armstrong, BC
1 st	FEEDERLANE	Feederlane Farms	Wainfleet, ON
1 st	GALAR	Ferme Galarneau Inc	Barraute, QC
1 st	GEN-I-BEQ	Groupe Génibeq	St. Patrice, QC
1 st	HARVDALE	Harvdale Holsteins	Stayner, ON
4 th	HIGH POINT	High Point Farms	Port Perry, ON
1 st	LEXIS	Lexis Holsteins	Freetown, PE
2 nd	LIMBRA	Huybregts Farms Ltd	Crysler, ON
2 nd	LOCKMAR	Lockmar Holsteins	Sutton West, ON
1 st	MARSO	Ferme Martin Bouchard S.E.N.C	St. Bruno, QC
1 st	PAQUET	Paquet et Frères	Amqui, QC
2 nd	VELTHUIS	Velthuis Farms Ltd	Osgoode, ON
1 st	WALKERVILLE	Walkerville Farms Ltd	Wards Creek, NB
1 st	WINTERBAY	Winterbay Farms	Bedford, PE



EDUCATION AWARDS

Supporting youth education



Mark Sweetnam,
Winkler, MB



Derek Van de Walle,
St Marys, ON



Shaelyn Prins,
Corbyville, ON



Laurie Laliberté,
Leclercville, QC



Mauranne Hébert,
Ste-Hélène-de-Kamouraska, QC



Hayley Wilson,
Whycocomagh, NS

WORLD HOLSTEIN CONFERENCE REPRESENTATIVES

Representing Holstein Canada at the WHFF Conference Youth Program in Argentina

EUROPEAN YOUNG BREEDERS SCHOOL

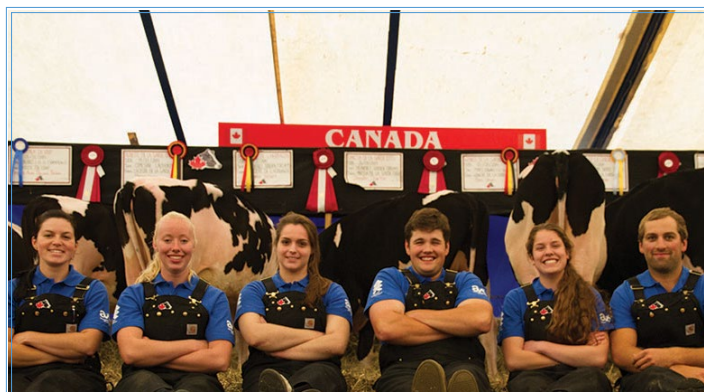
Teaches young breeders from Canada and across Europe how to judge, prepare their animals for shows, and market their genetics.



Cindy Jatton,
Compton, QC



Bridget Wilson,
Whycocomagh, NS



Andrée-Anne Pariseau Beloin (QC), Jennifer Charlton (ON), Megan Wynn (NS), Michael Flaman (SK), Mauranne Hébert (QC), Chris Steven (ON).

A. SUBJECT AREA: ON FARM DATA EXCHANGE

1. Submitted by Branch / Club: Manitoba

- Whereas, web connective technologies have resulted in increased productivity in the modern economy;
- Whereas, more information is available with current on-farm computers & software programs;
- Whereas, the need to make the process for registration easier;

Be it resolved that Holstein Canada look at ways to efficiently exchange data from on-farm software for registrations.

2. Submitted by Branch / Club: Québec

- Whereas due to a shift from the traditional system, the amount of production data is decreasing;
- Whereas robotic systems' measurement tools are very accurate;
- Whereas this data would be very useful for genetic evaluations;
- Whereas many animals are sold to herds using these systems;

Be it resolved that Holstein Canada make the necessary recommendations for data compiled by robotic systems to be recognized by Holstein Canada and DHI agencies (CDN, Valacta, etc.) and in return, said herds must use Holstein Canada's classification systems on a regular basis.

Action Taken: In June 2015 Morgan Overvest started her contract position with Holstein Canada as the On-Farm Data Exchange Project Coordinator. The objective of this project is to provide recommendations on how Holstein Canada can provide services through data integration with on-farm systems while working in collaboration with our industry partners.

Farm visits and member consultations for the On-Farm Data Exchange Project have been completed and a report summarizing members' views across the country has been brought to the Holstein Canada team for discussion. Preliminary discussions have been held with industry partners; the summary report, outlining findings of the research phase of the project will be presented to these partners in the coming months. Herd management software companies have been contacted to explain the intent of the project and obtain details of each program used by Canadian dairy farmers. Currently, the project findings are being analyzed by the Holstein Canada team to determine the direction of the project for the coming year that best addresses the comments and concerns brought forth by members.

B. SUBJECT AREA: SHOWS

3. Submitted by Branch / Club: Québec

- Whereas it is a source of pride to have an animal at the RAWF; when two (2) females from the same mother are exhibited together, it is an even greater achievement;
- Whereas this class is present in the majority of the shows in QC;
- Whereas this class puts the spotlight on the mother as this is what breeders want; i.e. having good brood cows in their herds;
- Whereas too often, there are too few entries for Progeny of Dam Class at Agricultural Shows;
- Whereas one should always improve what can be improved in Agricultural Shows in order to better their competitiveness;
- Whereas we can often see a dam and her daughter exhibited by both breeders and exhibitors at shows;

Be it resolved that Holstein Canada add the progeny of the dam class at the Royal Agricultural Winter Fair in Toronto.

Action Taken: This resolution was discussed at the Show Committee meeting in January 2016. Due to time restrictions at the Royal, only one class could be added, which was the Bred & Owned Champion class.

C. SUBJECT AREA: BREED IMPROVEMENT

4. Submitted by Branch / Club: Prince Edward Island

- Whereas Holstein Canada is continually striving towards Breed Improvement;
- Whereas health, fertility and locomotion play a major role in longevity of the Holstein cow and crampiness has a direct negative impact on said traits;

- Whereas due to their larger number of offspring sires affect the Holstein population significantly;

Be it resolved that any sire identified as being Crampy by Holstein Canada is coded on their pedigree as such.

Action Taken: Holstein Canada's Classification Advisory committee has placed a great deal of attention on this debilitating genetic disease. It was discussed at the December Classification Advisory meeting with recommendations forwarded to the Board of Directors for discussion at the February Board meeting. An update will be presented at the AGM.

D. SUBJECT AREA: INFORMATION SERVICES

5. Submitted by Branch / Club: Nova Scotia / Newfoundland

- Whereas software programs are available to cattle show managers to utilize the Holstein Canada database;
- Whereas these programs can also use the NLID tag readers for data input;

Be it resolved that Holstein Canada link NLID tag data with the animal's registration number and other core animal data needed for a show catalogue.

Action Taken: Future plans at Holstein Canada are to link NLID (RFID) information to an animal's record. This enhancement will be scoped and prioritized as part of our future phases of the new Herdbook software development.

6. Submitted by Branch / Club: New Brunswick Holstein Branch

- Whereas Holstein Canada promotes the genomic testing of heifers as a management tool for breeders;
- Whereas the majority of breeders have neither the time, nor the knowledge to make use of the Microsoft Excel Genomic Inventory Report for their herd;

Be it resolved that Holstein Canada improve the Excel Genomic Inventory Report so that it becomes a useful and valuable herd management tool.

Action Taken: Future plans at Holstein Canada include the creation of improved tools for sorting, customizing information for reports and exporting data through the Holstein Canada website. This project will be scoped and prioritized as part of our future phases of the new Herdbook software development.

7. Submitted by Branch / Club: New Brunswick Holstein Branch

- Whereas the use of genomics has allowed the identification of genetic defects and lethal gene combinations;
- Whereas standard genomic testing determines carriers of lethal gene combinations;

Be it resolved that Holstein Canada develop a plan to both educate breeders about how to handle these genetic defects, and how to communicate carriers to breeders.

Action Taken: Holstein Canada's Extension and Education team plans to focus future communication messages on where to access information and the appropriate selection against well-known genetic recessives (CVM, Blad, Brachyspina, etc) and newly discovered deleterious gene combinations (Haplotypes affecting fertility).

An article was published in November / December 2015 InfoHolstein, as well as notifications through social media, concerning the Haplotype associated with Cholesterol Deficiency.

E. SUBJECT AREA: AWARDS

8. Submitted by Branch / Club: Saskatchewan

- Whereas superior production is already based on fat and protein, and no credit is given to milk;
- Whereas Canadian Breeders are in a system that pays producers based on component yield and not on milk volume;

Be it resolved that Holstein Canada revisits the current way of awarding Longtime Production, and makes changes to award cows based on total Fat and Protein yield, instead of milk yield.

Action Taken: Holstein Canada has a committee dedicated to reviewing all producer and animal awards given by the Association. This committee discussed the possibility of modifying Longtime Production awards to consider total fat protein yield, versus total milk at their September 2015 meeting.

The average Fat and Protein Production within each total lifetime milk total of 60,000, 70,000, etc. was reviewed. It's clear that there is a large variation of Fat and Protein production within each group of lifetime milk. Therefore the kind of cow that would be awarded could be dramatically different if the requirements were based on solids.

There was a general consensus that there was no need or advantage to make changes to the Lifetime Total Milk Yield awards at this time.

// Social Media Highlights

LOOKING AT SOCIAL MEDIA IN 2015



HolsteinPassion
FrameTheHerd
HerdHelpers
ScoreTheHerd

Join the conversation



Facebook
Holstein Canada



Twitter
@holsteincanada



YouTube
HolsteinCanadaVideo



Instagram
Holstein Canada

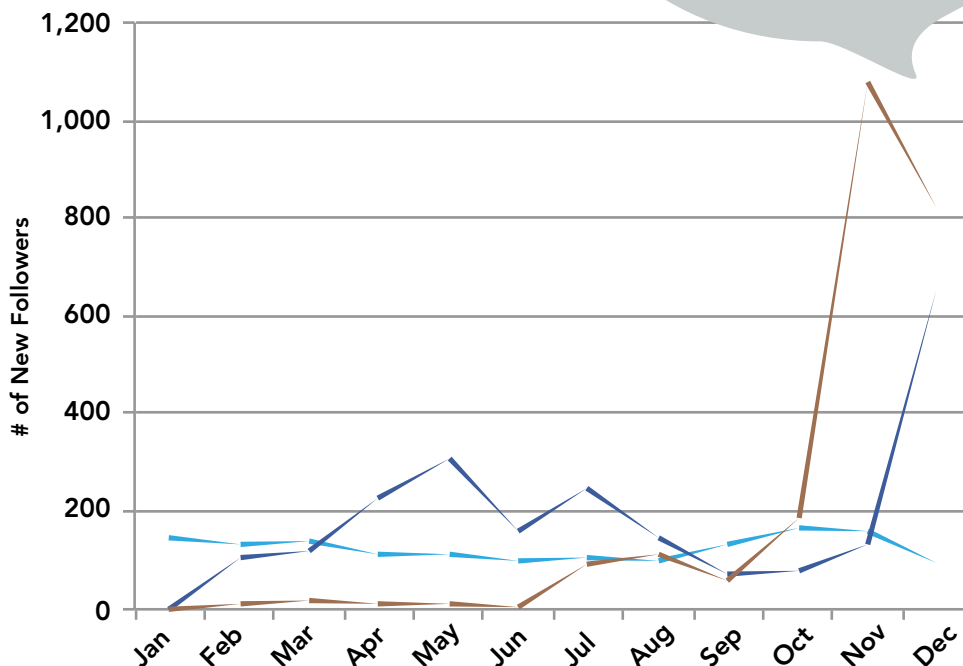


Flickr
holsteincanada



LinkedIn
holstein-canada

Social Media Channel Growth In 2015



// Schedule of Revenue and Expenses

DEPARTMENT	REVENUE		EXPENSES		EXCESS / (EXPENSE)	
	2015	2014	2015	2014	2015	2014
HERDBOOK & GENOTYPING	\$ 5,062,710	\$ 5,328,514	\$ 2,446,091	\$ 2,378,694		
CLASSIFICATION	4,867,567	5,158,747	3,766,456	3,973,753		
STRATEGIC COMMUNICATIONS	256,699	262,359	757,514	920,029		
NLID	1,417,377	1,369,477	1,334,868	1,337,249		
BOARD & EXECUTIVE	0	0	1,545,074	1,357,635		
FINANCE	55,602	48,559	751,592	852,352		
BUSINESS & TECHNOLOGY SOLUTIONS	0	0	558,685	850,447		
DEPRECIATION	0	0	402,662	411,946		
	\$ 11,659,955	\$ 12,167,656	\$ 11,562,942	\$ 12,082,105	\$ 97,013	\$ 85,551



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BDO Canada LLP
505 Park Road N, Unit 1
Brantford ON N3R 7K8 Canada

Independent Auditor's Report

To the Members of Holstein Association of Canada

We have audited the accompanying financial statements of Holstein Association of Canada, which comprise the statement of financial position as at December 31, 2015, the statements of operations and changes in fund balances, and cash flows for the year 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 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.

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 from 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 audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Holstein Association of Canada as at December 31, 2015 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Brantford, Ontario
March 22, 2016

Financial Notes

Mark Cummings - Finance Manager

Holstein Canada's Operating Fund posted stronger results than budgeted, reporting an excess of revenues over expenses of \$97,013. Revenues for the year were down slightly however expenses were lower by a larger percentage yielding positive results and demonstrating cost control continues to be effective in these changing times.

Overall revenues of \$11,659,955 were down by a modest 2%. Receipts from registrations showed a 2% increase from budget, while fees from animals classified showed a 1% improvement from plan. Unfortunately, these were more than offset by declines in revenues from classification herd visits and genotyping, which were below budget 12% and 21% respectively.

As expected for a service oriented organization, salaries and benefits represent 46% of total expenses for Holstein Canada. These expenditures decreased by 4% due to operating efficiencies reducing headcount. All non-labour expenses also decreased by 3%, corresponding to the decline in revenue and confirming the effectiveness of the cost control system.

During 2015 the Development Fund invested \$2,083,171 in the Herdbook application and six smaller software projects all deemed important for our members, such as programming to welcome the new profitability index, *Pro\$*. An additional \$117,717 was expended to support Branch initiatives and commence work on the On-Farm Data Exchange Program, an important project in our Strategic Plan.

The Reserve Fund, being the primary source of funding for Development Fund's projects, has been reduced over 2015 however finished the year with a very solid balance of \$5,909,232 in investments. The Association realized a 3% return on our portfolio, highlighting the value of our policy of investing in high grade, non-speculative financial instruments – this holds especially true in volatile markets such as 2015.

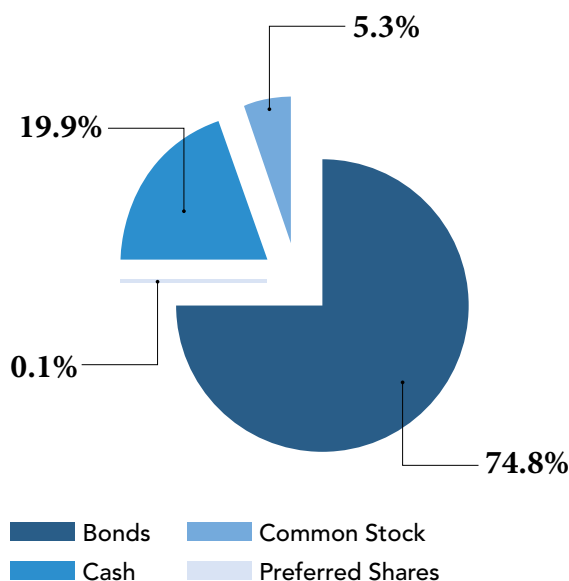
2016 Outlook

The forecast for the upcoming financial year is for income to grow by 2%, primarily due to increased revenues from Classification herd visits and the *proAction*® initiative. Expenses are expected to increase by 4%, in part to support the increased revenue and the balance for expenditures as we transition to the new Herdbook.

The major event for 2016 has already occurred, with the release of the new Herdbook platform. This marks the beginning of a 3 year program to take full advantage of this investment, by improving client access to information and streamlining processing and workflows to achieve cost savings.

The Herdbook project represents another step in the continuing process of Holstein Canada making investments to ensure it remains relevant for members and clients. It further demonstrates the Board of Directors and Management have taken a long-term approach to planning to ensure the financial viability of the Association, while concurrently making sure members continue to enjoy the high standards of service delivered in the past.

Reserved Investments - \$5.9 Million



// Statement of Operations and Changes in Fund Balances

For the year ended December 31				2015	2014
	Operating Fund	Internally Restricted Reserve Fund	Internally Restricted Development Fund	Total	Total
Revenue					
Income from operations	\$ 11,643,271	\$ -	\$ -	\$ 11,643,271	\$ 12,149,406
Investment income	16,879	233,052	-	249,931	276,588
Unrealized gain (loss) on investments	(195)	(80,603)	-	(80,798)	275,578
Realized gain (loss) on investments	-	(42,184)	-	(42,184)	(15,710)
	11,659,955	110,265	-	11,770,220	12,685,862
Expenses	11,562,942	-	2,200,888	13,763,830	13,694,486
Excess (deficiency) of revenues over expenses	97,013	110,265	(2,200,888)	(1,993,610)	(1,008,624)
Fund balance, beginning of year	5,152,820	7,219,645	(271,491)	12,100,974	13,109,598
Transfer (to) from other funds	(1,079,119)	(1,420,678)	2,499,797	-	-
Fund balance, end of year	\$ 4,170,714	\$ 5,909,232	\$ 27,418	\$ 10,107,364	\$ 12,100,974

As at December 31				2015	2014
Assets	Operating Fund	Reserve Fund	Development Fund	Total	Total
Current assets					
Cash and bank (Note 2)	\$ 333,393	\$ 5,844	\$ 27,418	\$ 366,655	\$ 1,214,249
Temporary investments (Note 3)	513,914	307,923	-	821,837	768,593
Accounts receivable (Note 4)	1,330,989	-	-	1,330,989	1,387,588
Other receivables	228,956	-	-	228,956	253,642
Due from other funds	-	-	-	-	497,571
Inventory	32,943	-	-	32,943	24,562
Prepaid expenses	201,489	-	-	201,489	181,596
	2,641,684	313,767	27,418	2,982,869	4,327,801
Investments (Note 5)	-	5,595,465	-	5,595,465	6,601,358
Capital assets (Note 6)	2,815,567	-	-	2,815,567	2,991,866
	\$ 5,457,251	\$ 5,909,232	\$ 27,418	\$ 11,393,901	\$ 13,921,025
Liabilities and Fund Balances					
Current liabilities					
Accounts payable and accrued liabilities (Note 7)	\$ 1,234,458	\$ -	\$ -	\$ 1,234,458	\$ 1,270,754
Due to other funds	-	-	-	-	497,571
Deferred revenue (Note 8)	52,079	-	-	52,079	51,726
	1,286,537	-	-	1,286,537	1,820,051
Fund balances					
Internally restricted	-	5,909,232	27,418	5,936,650	6,948,154
Unrestricted	4,170,714	-	-	4,170,714	5,152,820
	4,170,714	5,909,232	27,418	10,107,364	12,100,974
	\$ 5,457,251	\$ 5,909,232	\$ 27,418	\$ 11,393,901	\$ 13,921,025

For the year ended December 31	2015	2014
Cash flows from (used in) operating activities		
Excess of expenses over revenues	\$ (1,993,610)	\$ (1,008,624)
Items not affecting cash		
Amortization	402,660	411,946
Accrued interest	-	(365)
Loss on disposal of capital assets	12,951	14,866
Realized (gain)/loss on sale of investments	42,184	15,710
Unrealized (gain)/loss on investments	80,603	(275,578)
	<u>1,455,212</u>	<u>(842,045)</u>
Changes in non-cash working capital		
Accounts receivable	56,599	(241,979)
Other receivables	24,686	(93,326)
Inventory	(8,381)	195
Prepaid expenses	(19,893)	(93,017)
Accounts payable and accrued liabilities	(36,296)	255,139
Deferred revenue	353	(442)
	<u>(1,438,144)</u>	<u>(1,015,033)</u>
Cash flows from (used in) investing activities		
Purchases of capital assets	(270,813)	(242,883)
Proceeds on disposal of capital assets	31,500	23,500
Proceeds on sale of investments	1,006,506	2,749,583
Purchase of investments	(176,643)	(974,020)
	<u>590,550</u>	<u>1,556,180</u>
Increase (decrease) in cash during the year	<u>(847,594)</u>	<u>541,147</u>
Cash and cash equivalents, beginning of year	<u>1,214,249</u>	<u>673,102</u>
Cash and cash equivalents, end of year	<u>\$ 366,655</u>	<u>\$ 1,214,249</u>
Cash consists of:		
Cash in bank	\$ 342,076	\$ 454,540
Cash equivalents	24,579	759,709
	<u>\$ 366,655</u>	<u>\$ 1,214,249</u>

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Purpose of the Organization

The Holstein Association of Canada (the "Association") is a national organization authorized to register Holstein cattle in Canada. The basic purpose of the Association is to improve the breed of Holstein cattle. To this end, it maintains a Herd book and provides many services to its members to assist them in evaluating, selecting and improving their herds. The Association is a non profit organization incorporated under the Animal Pedigree Act and accordingly is not taxable by virtue of Section 149 (1) (e) of the Income Tax Act.

Basis of Accounting

The financial statements have been prepared using Canadian accounting standards for not for profit organizations.

Fund Accounting

The Association follows the restricted fund method of accounting for revenues and expenses.

Unrestricted revenues and expenses related to service delivery and administrative activities are reported in the Operating Fund.

The Reserve Fund reports assets, liabilities, revenues and expenses which are internally restricted to provide for future contingencies.

The Development Fund reports assets, liabilities and revenues and expenses needed which are internally restricted for special projects and business development.

Revenue Recognition

The Association recognizes revenue as services are rendered.

Registration, classification and breed improvement revenues are recognized in the year the service is provided.

Membership fee revenue represents annual membership fees paid by the Association's members. The Association recognizes membership fee rateably over the term of the membership. Amounts received in advance of the expiry of the membership period is treated as deferred revenue.

Investment income includes interest, dividends, realized gains (losses) and changes in unrealized gains (losses) and are recorded when earned (incurred).

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 expenditures during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Inventory

The inventory is primarily comprised of supplies and is recorded at the lower of cost and replacement cost.

Foreign Currency Translation

At the transaction date, each asset, liability, revenue or expense is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year end, monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at that date and the resulting foreign exchange gains and losses are included in income in the current year.

Cash and Cash Equivalents

The Association considers all highly liquid, high interest investment and savings accounts to be cash equivalents.

Relationship with Provincial Branches

Each member of the Association is charged an annual membership fee and a levy that is invoiced and collected by the Association and are remitted to the provincial branches pursuant to the by laws of the Association. At year end, \$86,722 (2014 – \$89,496) is included in accounts payable and accrued liabilities relating to these amounts.

Impairment of Long Lived Assets

Management reviews the carrying amount of long lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Any impairment determined by a comparison of the estimated undiscounted future operating cash flows to be generated by the asset with its net carrying value is written off at the time of the impairment.

Development Costs

Research and development expenditures on internally generated intangible assets are expensed as incurred.

Capital Assets

The Association's capital assets are recorded at cost. Amortization is provided as follows:

	METHOD	RATE
Building	Straight-line	30 years
Building Improvements	Straight-line	10 years
Office furniture and equipment	Straight-line	5 years
Automobiles	Declining-balance	30%
Data processing	Straight-line	3-5 years

Collections

The Association's collections are capitalized in the statement of financial position but are not subject to amortization. Contributions are reported as revenue and an increase to tangible capital assets at their fair value. When fair value cannot be determined, the contribution is recognized at a nominal value. The Association's collection consists of a Fafard Sculpture.

Inter fund Transfers

Inter fund transfers represent amounts set aside to fund specific development projects.

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equities traded in an active market and derivatives are reported at fair value, with any unrealized gains and losses reported in operations. In addition, all bonds and guaranteed investment certificates have been designated to be in the fair value category, with gains and losses reported in operations. All other 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. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

2. BANK

The Association's bank accounts are held at one chartered bank. The bank accounts earn interest at a nominal rate. The Association has a revolving demand facility totaling \$500,000 which bears interest at the bank's prime rate plus 0.3% per annum. At year end, this facility was not utilized. The Association also has a Visa facility to a maximum of \$450,000. These facilities are secured by a general security agreement constituting a first ranking security interest in all personal property of the Association.

3. TEMPORARY INVESTMENTS

	2015	2014
GIC's	\$ -	\$ 151,761
Canadian provincial and public authorities - operating fund	513,914	-
Government of Canada - reserve fund	-	203,586
Canadian provincial and public authorities - reserve fund	307,923	311,727
Canadian corporate bonds - reserve fund	-	101,519
	<u>\$ 821,837</u>	<u>\$ 768,593</u>

The Canadian provincial and public authorities bonds have an interest rate of 3.75% – 4.50% (2014 – 5.00%).

4. ACCOUNTS RECEIVABLE

Accounts receivable are net of an impairment allowance of \$10,000 (2014 – \$10,000).

5. INVESTMENTS

	2015	2014
Bonds and Debentures		
Canadian provincial and public authorities operating fund	\$ -	\$ 514,110
Canadian provincial and public authorities reserve fund	2,839,732	3,144,747
Canadian corporate	1,270,082	1,179,299
	<u>4,109,814</u>	<u>4,838,156</u>
Equities:		
Preferred shares	310,737	463,588
Common shares	1,174,914	1,299,614
	<u>\$ 5,595,465</u>	<u>\$ 6,601,358</u>

Bonds and Debentures

The Canadian provincial and public authorities bonds have interest rates between 1.75% – 6.00% (2014 – 1.75% – 6.00%). These investments will mature as follows: \$1,294,021 within 2 to 5 years and \$1,545,711 after 5 years.

The Canadian corporate bonds have interest rates between 2.60% – 5.00% (2014 – 2.86% – 5.00%). These investments will mature as follows: \$1,167,403 within 2 to 5 years and \$102,679 after 5 years.

Preferred Shares

The preferred dividend yields range from 4.80% – 5.80% (2014 – 4.80% – 5.80%).

Common shares

The shares have no fixed maturity dates and are generally not exposed to interest rate risk. Dividends are generally declared on an annual basis.

6. CAPITAL ASSETS

	2015		2014	
	COST	ACCUMULATED AMORTIZATION	COST	ACCUMULATED AMORTIZATION
Land	\$ 328,851	\$ -	\$ 328,851	\$ -
Building	3,008,125	1,404,084	3,008,125	1,303,784
Building Improvements	94,557	35,956	94,557	26,500
Fafard Sculpture	179,686	-	177,525	-
Office furniture and equipment	1,409,166	1,280,720	1,319,393	1,229,428
Automobiles	896,891	432,205	935,246	425,114
Data processing	4,421,652	4,370,396	4,349,388	4,236,393
	<u>10,338,928</u>	<u>7,523,361</u>	<u>\$10,213,085</u>	<u>\$7,221,219</u>
		<u>\$2,815,567</u>		<u>\$2,991,866</u>

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities are government remittances payable of \$34,688 (2014 – \$35,085).

8. DEFERRED REVENUE

The balance of \$52,079 (2014 – \$51,276) represent annual membership fees paid in advance by the Association's members. These amounts are recorded as a liability as they are unearned at year end.

9. PENSION PLAN

The Association maintains a defined contribution pension plan for all employees whereby it matches employee contributions up to a maximum of 5% of salary. The pension expense for the year was \$145,914 (2014 – \$170,228).

10. FINANCIAL INSTRUMENT RISK EXPOSURE AND MANAGEMENT

Management has established policies and procedures to manage risks related to financial instruments, with the objective of minimizing any adverse effects on financial performance. A brief description of management's assessments of these risks is as follows:

(a) General Objective, Policies and Processes:

The Board and management are responsible for the determination of the Association's risk management objectives and policies and designing operating processes that ensure the effective implementation of the objectives and policies. In general, the Association measures and monitors risk through the preparation and review of monthly reports by management. The Association's financial instruments are primarily exposed to credit, market and liquidity risks. The Association has formal policies and procedures that establish target asset mix. The Association's policies also require diversification of investments within categories, and set limits on exposure to individual investments.

(b) Credit Risk:

Financial instruments potentially exposed to credit risk include cash, investments and accounts receivable. Deposits held with banks may exceed the amount of insurance provided on such deposits. Generally these deposits may be redeemed on demand and are maintained with financial institutions of reputable credit and therefore bear minimal risk. Investments are not significantly concentrated and are primarily invested in high grade investments. Management considers its exposure to credit risk over cash to be remote as the Association holds cash deposits at one major Canadian bank. Receivables are due from a large membership and customer base, which is geographically dispersed. The Association evaluates its members' and customers' financial condition and limits the amount of credit extended when deemed necessary.

The Association utilizes an allowance for doubtful accounts to record potential credit losses associated with its trade receivables and credit losses to date have been within management's expectations.

(c) Interest Rate Risk:

The Association is exposed to interest rate risk arising from fluctuations in interest rates depending on prevailing rates at renewal of investments. To manage interest rate exposure, the Association invests in fixed income vehicles backed by chartered banks, municipal, provincial and federal governments.

(d) Liquidity Risk:

Liquidity risk is the risk the Association will not be able to meet its financial obligations as they come due. The Association has taken steps to ensure that it will have sufficient working capital available to meet its obligations by maintaining sufficient cash levels and investing in short term, high grade investments.

(e) Foreign Exchange Risk:

The Association is exposed to currency risk through holdings of investments in foreign currencies. Fluctuations in the relative value of foreign currencies against the Canadian dollar can result in a positive or negative effect on the fair value and future cash flows of these investments. Less than 2% of the Association's portfolio is subject to foreign currency risk.