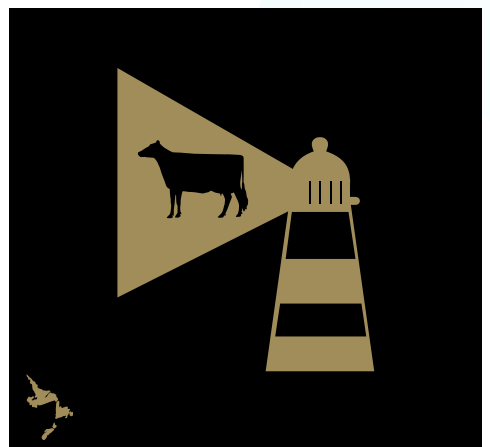
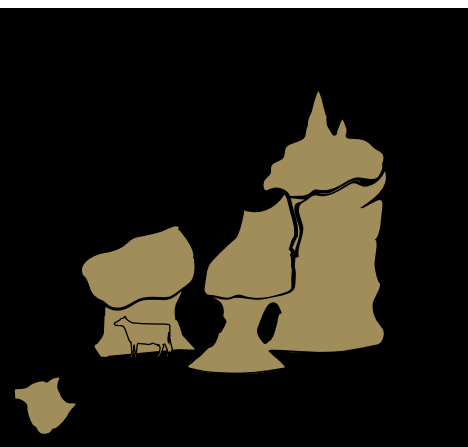
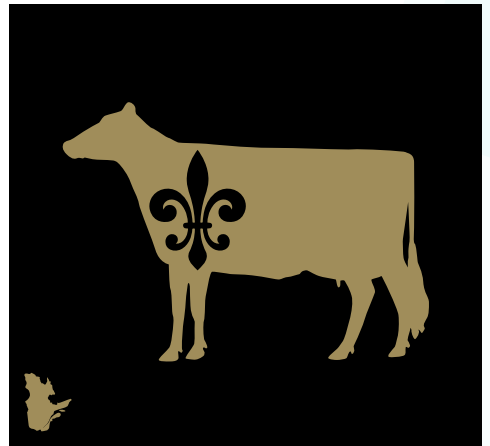
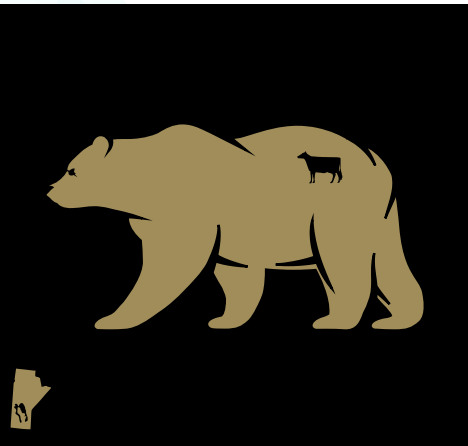
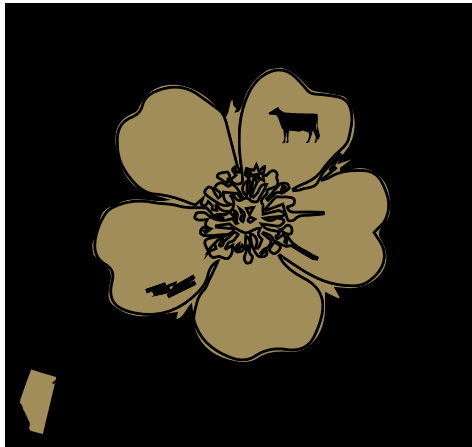




ANNUAL REPORT/ 2016

WE'RE HERE, BECAUSE YOU ARE



Mission Statement



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

Table Of Contents

02	Annual General Meeting Agenda
03	President's Report
05	Chief Executive Officer's Report
07	Board of Directors / Young Leader Advisory Committee
08	2016 / 2017 Committees
09	Member Awards & Achievements
10	Holstein Passion From Coast-to-coast
11	Business Activity
12	2016 Resolutions: Action Update
15	Schedule of Revenue and Expenses
16	Financial Report 2016
17	Statement of Operations and Changes in Fund Balances
18	Statement of Financial Position
19	Statement of Cash Flows
20	Notes to the Financial Statements

134th Annual General Meeting of Members

Agenda

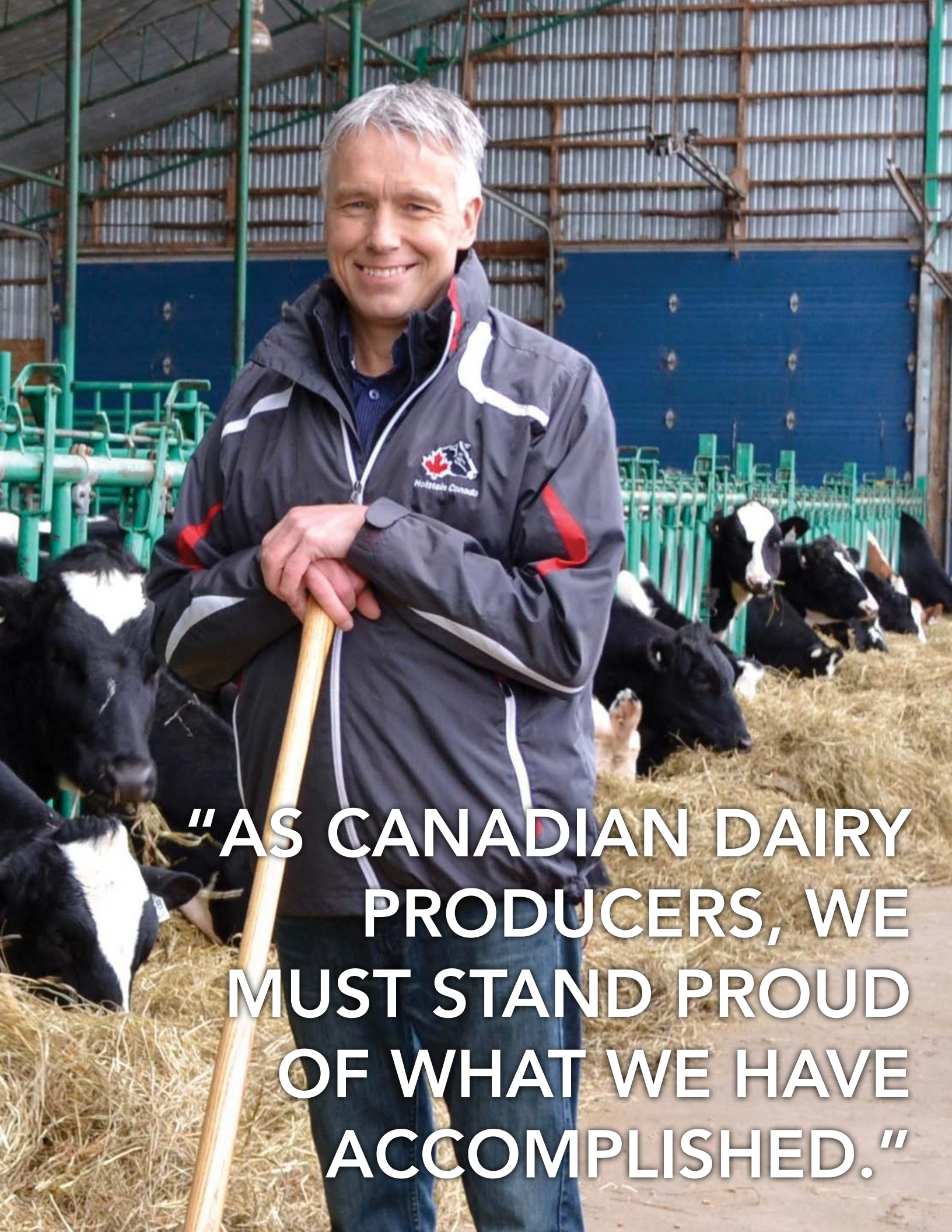
9:00 a.m. Grand York Ballroom, Sheraton Parkway, Richmond Hill, Ontario

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 2016 Annual General Meeting of Members
6. Address of the President
7. Chief Executive Officer's Report
8. 2016 Financial Report: Harry Van der Linden
9. Presentation of the 2017 Budget: Harry Van der Linden
10. Appointment of Audit Firm: Harry Van der Linden
11. Introduction of Industry Partners: Dennis Werry
12. Remarks from International Guests & Dairy Farmers of Canada
13. Award Presentations: Doug Peart
 - i. Century of Holsteins Awards
 - ii. Certificates of Superior Achievement & Recognition
14. Proposed By-law Amendments: Elyse Gendron
15. 2016 Member Resolutions: Ben Cuthbert and Angus Mackinnon
16. Classification Advisory Committee Update: Gerald Schipper
17. Show Committee Update: Nancy Beerwort
18. Members' Input Session
19. Invitation to the 2018 National Convention and AGM in Quebec: Marie-Édith Droulers
20. Thank you to Catherine Archambault and Robert Chabot
21. 2016 Cow of the Year: Ron Boerchers
22. Adjournment

**Buffet Breakfast: 7:00 a.m.
Buffet Lunch: 11:30 a.m.
Grand York Ballroom Foyer**

Guest Speaker: Kate Davis – to follow immediately after Meeting

**Master Breeder Reception will begin at 6:00 p.m. in the Grand York Ballroom foyer.
Entrance to the Ballroom at 6:30 p.m.**



**"AS CANADIAN DAIRY
PRODUCERS, WE
MUST STAND PROUD
OF WHAT WE HAVE
ACCOMPLISHED."**

President of the Board's Report

It was my honour and pleasure to chair the Holstein Canada Board of Directors this past year. It was a year of discussion and introduction of new projects with various industry partners. The farms I visited and the people I met from coast-to-coast engaged me in discussions with passionate breeders who care deeply about our Association and the future of our services.

Our Board met five times in three different provinces. Moreover, each of our Committees met in person at least once, in addition to meeting remotely throughout the year. These meetings allowed us to check the pulse of our membership and to identify their needs; needs we are continually striving to meet with new and updated programs and services. To this end, we increased the emphasis on our Young Leader program by adding three new and enthusiastic members to the committee, and by giving them clearer responsibilities.

Since the launch of our new Herdbook software, many updates have been made in order to make it more efficient. The electronic documents service available since last fall is one great example. However, with a slower uptake than anticipated, in the coming year, we will focus on promoting the added value and demonstrate what this service can do for you.

In 2016, we finalized the service agreement with Dairy Farmers of Canada for the Cattle Assessments under the proAction® program. Classifiers began providing assessments in October and have received a positive response from producers since day one.

In the coming year, we will concentrate our efforts on improving data exchange between your farms and our computers. Much effort has already been devoted to this project; however, given its complexity, more time is required. The key to the success of this project is working together to provide the best service to you, our members.

Holstein Canada Directors met twice last year with the stakeholders in the Canadian dairy sector to discuss industry efficiency. Without setting specific timeframes, all agreed to work and to communicate regularly to avoid competing with each other and to offer a better service to Canadian producers. Moving forward, I feel we will need to continue to work closer with industry partners to keep costs to a reasonable level.

This is my last year on the Holstein Canada Board of Directors. Over the past six years on the Board, I have been fortunate to meet passionate, future-focused people. The future of our Association is

in good hands. With this in mind, I would like to thank my fellow Directors who supported me; I know they will continue to make the right decisions for the greater good of all involved.

I would like to thank my family for allowing me to be away from home, all too frequently, in order to fully embrace this great experience.

In closing, let's remember that even if we may not always be totally satisfied with our situation, Canadian dairy producers benefit from extremely favourable conditions. I believe that when we compare ourselves to producers worldwide, as Canadian dairy producers, we must stand proud of what we have accomplished and of our enviable position.

Respectfully submitted,



Robert Chabot, President



**"THE TEAM
ROSE TO NEW
CHALLENGES AND
PUSHED COMFORT
LEVELS."**

Chief Executive Officer's Report

2016: Our Transition Year

More than anyone, dairy farmers know about the importance of a good "transition" phase. The only way to have a better "after" is to smoothly transition from "before" – whether in fresh cow management, farm transfers or field management. A transition year often means welcoming "new" into a routine. Despite requiring some adjustments, when it is done well, a transition opens up new possibilities.

2016 was certainly a year of transition for Holstein Canada. We moved from old to new on both financial and software projects, not losing a day of work along the way. Adjustments were made internally and by our members, and now we continue to build on the possibilities technology offers, including office efficiencies.

The Classification team also experienced change with the introduction of the proAction® Cattle Assessments on behalf of the *Dairy Farmers of Canada*, while continuing to focus on delivering top quality classification service on your farm, to help our breed – and other breeds – progress.

Transition sometimes means stepping back to see if there is a better solution, and involving other players to reach the goal in the most cost efficient way. This is what Holstein Canada chose to do with

the classification software and data access projects; to step back and identify the best options. With that in mind, our technology priorities are now focused on maximizing the return on the 2016 investments in technology, along with developing new value-added software for genotesting in 2017. We continue to work with our numerous Industry Partners whenever possible on major projects.

While experiencing so much change in a very quickly changing industry, it is also important to continue to rely and build on tried and tested core values. To this end, Holstein Canada has strived to be by the side of our nine provincial Branches and our members, both in direct communication and via various media, including increased social media. I take this opportunity to thank all who have shared their thoughts with us along the way. By sharing what we are doing well and what we can do better, you are a valued source of feedback for the Holstein Canada team.

Ultimately, success is measured by results. To have reached a record year of registrations, to be extremely close to the number of cows classified in the previous year, and to have generated a slight profit, are indeed measures of success in a transition year.

Two other important tangible measurements are:

Member loyalty to Holstein

Canada services. Yes, we are currently experiencing encouraging conditions in the Canadian dairy sector but Holstein Canada does not take your loyalty for granted. We continue to work hard for this loyalty and to contribute to your farm's profitability.

In 2016, the Holstein Canada Team went above and beyond

the call of duty, rising to new challenges and pushing their comfort levels. I am so very proud of them!

This was all possible through the guidance and vision of the National Directors, and you, the dairy producers from coast-to-coast, who elect the Holstein Canada Board of Directors. I thank them all – with a very special thank you to outgoing President Robert Chabot, a man of great integrity and wisdom who can be labelled with two things in his Holstein career: always doing the right thing and appreciating great cows.

Respectfully submitted,



Ann Louise Carson,
Chief Executive Officer

2016 Board of Directors



(Standing, l-r): Ron Boerchers (SK & MB); Doug Peart (ON); Ben Cuthbert (BC); Gerald Schipper (ON); Gilles Côté (QC); Dennis Werry (ON); and Angus MacKinnon (QC). **(Seated, l-r):** Élyse Gendron (QC); Orville Schmidt (AB), Vice-President; Robert Chabot (QC), President; Harry Van Der Linden (Atlantic provinces), 2nd Vice-President; and Nancy Beerwort (ON).

2016 Young Leader Advisory Committee

The Young Leader Advisory Committee (YLAC) has representation from four Canadian regions: Atlantic Provinces, Quebec, Ontario, and the Western provinces. Committee members work with Holstein Canada staff to develop a program to meet aspirations of young adults across Canada.



(Standing, l-r): Mike Barnum (AB/BC); Kenton Lindenbach (SK/MB); Olivier Roy-Tanguay (QC) **(Seated, l-r):** National Director, Angus MacKinnon (QC); Laurence Boulet (QC); Stephanie Warner-Murphy (ON), President; Sarah MacDonnell (Atlantic); and Ryan Wert (ON).

2016 / 2017 Committees



Audit, Risk Management and Finance | Chair: Harry Van der Linden (NS)
Ron Boerchers (MB), Elyse Gendron (QC), Doug Peart (ON), Ralph Martin (ON)



Awards | Chair: Doug Peart (ON)
Nancy Beerwort (ON), Ron Boerchers (MB), Elyse Gendron (QC)



Breed Advisory | Chair: Gilles Côté (QC)
Ben Cuthbert (BC), Ian Crosbie (SK), Mathieu Lemire (QC), Olivier Leclerc (QC), Josh Ireland (ON), John Schenkels (NB)



Classification Advisory | Chair: Gerald Schipper (ON)
Ben Cuthbert (BC), D.R. Vaandrager (BC), Callum McKinven (QC), Bloyce Thompson (PE), Dan Aitken (ON), Dr. Gordon Atkins (AB), Brian Carscadden (ON), Thierry Jatton (QC)



Cow of the Year | Chair: Ron Boerchers (MB)
Tom Hawman (ON), Jocelyn Nault (QC), Lorne Briscoe (ON), Stéphane Dufour (QC)



Election | Chair: Glen McNeil (ON)
Kevin Werry (ON), James Cranston (ON)



Governance | Chair: Elyse Gendron (QC)
Robert Chabot (QC), Angus MacKinnon (QC), Orville Schmidt (AB)



National / Branch Joint Meeting Representatives | Co-chairs: Gerald Schipper (ON) and Karen Versloot (NB), Robert Chabot (QC), Elyse Gendron (QC), Harry Van der Linden (NS), Orville Schmidt (AB)



Show | Chair: Nancy Beerwort (ON)
Dennis Werry (ON), Markus Hehli (AB), John DeVries (ON), Tyler Doiron (QC), Alan Hawthorne (ON), Jeff Bysterveldt (PEI), Ari Eikstein (ON), Kim Côté (QC)



Young Leader Advisory | Chair: Stephanie Warner-Murphy (ON)
Board Representative: Angus MacKinnon (QC), Sarah MacDonnell (Atlantic), Ryan Wert (ON), Laurence Boulet (QC), Kenton Lindenbach (SK/MB), Michael Barnum (BC/AB), Olivier Roy-Tanguay (QC)

Member Awards & Recognition

Century of Holsteins

For 100 Years of Continuous Holstein Canada Membership

1917 – 2016	CITYVIEW	Descendants of J. W. Innes	Woodstock, Ontario
1916 – 2016	MEDWAY	Descendants of J. B. Carmichael	Ilderton, Ontario

Certificate of Recognition

Award recognizing significant contributions to the dairy industry with provincial/regional impact

Steve Dolson	Legacy Holsteins	Atwood, Ontario
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Certificate of Superior Accomplishment

Award recognizing significant contributions to the dairy industry with national/international impact

Albert Cormier	Cormdale Genetics Inc.	Orton, Ontario
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Master Breeder Awards

Recognizing breeding excellence

2 nd	BLONDIN	Ferme Blondin	St-Placide, Quebec
3 rd	CARLDOT	Carldot Farms	Stratford, Ontario
2 nd	CLAYNOOK	Claynook Farms Ltd.	New Hamburg, Ontario
3 rd	COTOPIERRE	Ferme St. Pierre & Fils Enr.	Rimouski, Quebec
1 st	DENISTIER	Denistier Holstein	Rimouski, Quebec
2 nd	DONNANVIEW	Donnanview Farms Ltd.	Stirling, Ontario
2 nd	EMBRDALE	Embrdale Farm	Asphodel-Norwood, Ontario
2 nd	FRADON	Fradon Holsteins Ltd.	Woodstock, Ontario
1 st	GENO	Ferme Geno Inc.	St-Marc des Carrières, Quebec
1 st	HAANVIEW	John & Bonnie Jean Den Haan	Loretto, Ontario
1 st	HESSHOLM	Hessholm Holsteins	Kemptville, Ontario
1 st	KAKOUNA	Ferme Saindon & Fils Inc.	St-Alexandre, Quebec
2 nd	KINGSWAY	Kingsway Farms	Hastings, Ontario
1 st	LOCHDALE	Lochdale Holsteins	Alexandria, Ontario
1 st	MACO	Mario Corriveau	St-Vallier, Quebec
1 st	MEADOWBLOOM	Paul Leis	Elmwood, Ontario
2 nd	MYSTIQUE	Ferme Mystique S.E.N.C	Mirabel, Quebec
1 st	TINBER	Tinber Holstein Inc	Ste-Cécile de Milton, Quebec
2 nd	WEBB VIEW	Webb View Farms	Roseneath, Ontario

Scholarship Awards

Supporting youth education

Maryje Bikker	Lakeland College	Alberta
Erica Sayles	University of Guelph	Ontario
Taylor Nelson	University of Guelph	Ontario
Valérie Bolduc	Université Laval	Quebec
Rosalie Dubois	Université Laval	Quebec
Michael Myatt-MacDonald	Dalhousie University	Nova Scotia

Holstein Passion from Coast-to-Coast



2016 Joint National Branch Meeting Attendees:

BC: Brian Hamming (President) Matt Langelaan (Vice-President)	Sandy O'Hara (Vice-President) Peter Brand (GM)	PEI: Amber Craswell (President) Fred VanderKloet (Secretary)
AB: Bob Reck (President) Willem Vanderlinde (Vice-President)	QC: Georges Sirois (President) Valérie Tremblay (GM) Rolland Dubois (Executive member)	BOD: National Director Harry Van der Linden President John Buckley Vice-President Robert Chabot National Director Doug Peart National Director Ben Cuthbert
SK: Tymen Vanzessen (President) Mitchell Schultz (Vice-President)	NB: Karen Versloot (Board) Lorraine Allen (Secretary)	
MB: Harold Sweetnam (President) Jason Porteous (Vice-President)	NS/ NL: Luke McLellan (President) Brian Mathers (Vice-President)	
ON: Hank Hazeleger (President)		



Business Activity

Classification Activity

Activity	2016	2015	2014	2013	2012	2011
Herd Visits	15,310	16,111	17,207	17,005	16,164	17,788
Holstein Animals	241,469	244,236	244,919	248,417	236,569	235,097
Other Dairy Breed Animals	16,619	17,037	17,979	18,161	16,273	16,097
Total Animals	258,088	261,273	262,898	266,578	252,842	251,194

Statement of Operations (Comparative by Province)

Province	Memberships		Registrations		Transfers		Genomic Tests	
	2016	2015	2016	2015	2016	2015	2016	2015
British Columbia	393	390	22,304	21,185	1,437	1,256	1,511	1,520
Alberta	454	459	24,632	24,217	2,040	1,524	933	711
Saskatchewan	127	130	6,725	6,688	848	554	460	481
Manitoba	245	254	11,012	10,917	735	493	564	414
Ontario	3,864	3,814	105,279	103,472	12,566	9,592	4,527	4,658
Quebec	4,744	4,802	101,308	101,525	15,973	12,242	10,250	9,037
New Brunswick	182	179	4,756	5,189	351	194	1,215	996
Prince Edward Island	173	168	4,192	4,446	938	774	335	154
Nova Scotia	197	190	4,816	4,935	928	268	330	327
Newfoundland	15	16	981	1,281	72	25	389	450
International	1	3	0	0	606	630	0	0
Totals:	10,395	10,405	286,005	283,855	36,494	27,552	20,514	18,748

Record Year! ↗



Join the Conversation



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@holsteincanada



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2016 Non-binding Resolutions: Action Update

A. Subject Area: Awards

1. Submitted by Branch / Club: Alberta

- Whereas, the recent changes make it very challenging for high-average herds;
- Whereas, a review of this by the National Board would be appreciated;

Be it resolved that Holstein Canada revisit the composite deviation within herd qualifications for a Superior Production award.

***Action Update:** This item was reviewed by the Awards Committee in August 2016; resulting in further research requested for future meeting discussion.*

2. Submitted by Branch / Club: Québec

- Whereas, Holstein Canada continues to increase requirements for awards as the breed evolves;
- Whereas, the last standard changes for allocation of points for Star Brood awards (fat, protein) were retroactive and had negative repercussions on many cows which were on their way to receive this award;
- Whereas, we cannot change the past and that cows which had received stars had already met the existing requirements;

Be it resolved that Holstein Canada considers not making changes retroactive for any future modifications to the allocation of points for Star Brood awards.

***Action Update:** Holstein Canada acknowledges the spirit and intent of this resolution, and it is duly noted for future such modifications.*

B. Subject Area: Show

3. Submitted by Branch / Club: Ontario

- Whereas, the Senior Yearling class has been dropped from the Royal Agricultural Winter Fair (RAWF);
- Whereas, a number of fall County and Regional Shows already have a Summer Calf class;

Be it resolved that Holstein Canada offers a Summer Calf Class at the RAWF.

***Action Update:** The addition of the class has been accepted by the Royal and was implemented at the 2016 Royal Agricultural Winter Fair (RAWF). There were 19 calf entries (16 for B&W and three for R&W) at the 2016 RAWF Summer Calf Classes.*

Action Update Cont.

C. Subject Area: Show Results

4. Submitted by Branch / Club: Ontario

- *Whereas, we feel that county shows are a vital part of our industry;*
- *Whereas, all paying members of Holstein Canada should receive equal treatment;*
- *Whereas, county shows are an important avenue for members to market animals;*
- *Whereas, we do not want to discourage breeders from exhibiting animals at county shows;*

Be it resolved that Holstein Canada reinstate inputting all county show results on an animal's pedigree, regardless of the total number of animals at said show.

Note: The intent of this resolution was to be top three and not all and therefore would read – **Be it resolved that** Holstein Canada reinstate inputting top three placings of county show results on an animal's pedigree, regardless of the total number of animals at said show.

Action Update: *The current rules for publishing show results on pedigrees are: Champions and first placings for all shows; Champion and top three placings for shows with over 75 head, Champions and top five placings for shows with 150 head and over, and Champions and top 10 placings for the National Black & White shows at the Royal.*

The Holstein Canada Show Committee, comprised of members from across Canada, reviewed this topic at their January 2017 meeting and recommended to the Board of Directors that current publishing rules for show results remain unchanged. The Board accepted this recommendation.

D. Subject Area: Genetic Traits

5. Submitted by Branch / Club: Ontario

- *Whereas, the polled gene is dominant and has both economic and animal welfare benefits;*
- *Whereas, all offspring born from a homozygous parent are polled;*

Be it resolved that Holstein Canada automatically label / recognize these offspring as polled (POC).

Action Update: *Following a review of this resolution with the Board of Directors, polled offspring of homozygous polled parents will be automatically coded at the time of registration. This enhancement will be scoped and prioritized for implementation into the registration process. When completed it will be communicated in the InfoHolstein.*

E. Subject Area: Junior Membership

6. Submitted by Branch / Club: Ontario

- *Whereas, there is an increased interest in the Junior All-Ontario Program which requires Junior membership;*
- *Whereas, in the old Herdbook, it was impossible to add a Junior member to the main membership;*

Action Update Cont.

Be it resolved that Holstein Canada, with the new Herdbook, make it possible to add the name of a junior member to the main membership under the same herd prefix.

Action Update: To allow junior members on the family farm to be authorized to use the parents / herd prefix, a by-law change is required for 11.14.1 – Prefix Names. If this by-law is approved by the membership and by the Federal Minister of Agriculture; in accordance with the Animal Pedigree Act, the Board of Directors will define usage procedures.

F. Subject Area: Education Awards

7. Submitted by Branch / Club: Quebec

- *Whereas, the next generation taking over the farm is not always a family member and this type of succession is happening more and more often in agriculture;*
- *Whereas, a reliable employee may constitute a next generation farmer for the business;*
- *Whereas, it is not necessary for a business to create a new prefix to transfer the herd;*
- *Whereas, the next generation can manage the herd with the prefix of the previous owner, if they so wish;*

Be it resolved that Holstein Canada revise the Education Award application criteria in order for farm employees to be able to apply for Education Awards using the prefix of the farm they are working at, and attach a letter of support from their employer.

Action Update: Following a recommendation from the Young Leaders Advisory committee; the Board of Directors accepted changes in November 2016 to the Education award applicants. In addition to junior members of Holstein Canada or a son/daughter of a member; students that are farm employees supported by their employers will be eligible to apply for Holstein Canada education awards. This change will commence for the 2017 applicants.

G. Subject Area: Publication

8. Submitted by Branch / Club: Nova Scotia & Newfoundland

- *Whereas, the Who's Who has been a recognized breeding reference tool for many years;*
- *Whereas, the Who's Who is a valued tool for a segment of the Holstein Canada membership;*
- *Whereas, not all members have reliable internet access;*

Be it resolved that Holstein Canada make the Who's Who available to members who wish to purchase the publication.

Action Update: An in-depth review was conducted which focused on the usage of the information and possible options of re-instating / re-formatting the Who's Who. The facts of the review showed that a majority (90%) of our clients were non-subscribers to the Who's Who. Of the remaining 10% Who's Who subscribers which were surveyed, 60% of the responses reported they now rely on the web to find the required or similar information. Based on the number of possible subscribers, client feedback and the financial analysis, the Board of Directors opted to not re-instate the Who's Who.

Schedule of Revenue and Expenses

Department	Revenue		Expenses		Excess / (Expense)	
	2016	2015	2016	2015	2016	2015
Herdbook & Genotyping	\$5,008,867	\$ 5,062,710	\$2,299,769	\$ 2,501,881		
Classification	4,789,959	4,867,567	3,889,281	3,954,160		
Strategic Communications	254,131	256,699	844,332	794,272		
NLID	1,587,424	1,417,377	1,492,506	1,338,067		
Executive & Administration	0	0	1,802,599	1,497,362		
Finance	64,278	55,602	824,071	917,390		
Business & Technology Solutions	0	0	538,434	559,810		
	\$11,704,659	\$ 11,659,955	\$11,690,993	\$ 11,562,942	\$13,666	\$ 97,013
					Total Revenue less	
					Total Expenses	
					= Excess Revenue / (Expense)	



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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 Report 2016

Mark Cummings, Manager, Finance and Technology Solutions

Continuing the trend from previous years, Holstein Canada's Operating Fund posted a positive variance from budget, recording a surplus of \$13,666. Despite a modest reduction in revenues, costs were reduced by a larger proportion giving rise to the positive results. These results were achieved during a period that saw the release of the new Herdbook software and the transition to an updated accounting application, projects that required significant planning and implementation. This is clear evidence cost controls remain a significant strength of the Association, regardless of circumstances.

Revenues for the year totaled \$11,704,659, a very modest 1% reduction from budget. Income from registrations was up 6% and NLID posted an 18% increase over budget. Unfortunately, these results were overshadowed by reductions in receipts from animals classified, down 5%, and herd visit fees being down 10%. Management has targeted solutions to rectify this issue in 2017.

Typical of any service organization, salaries and benefits are the largest single expense, representing 45% of all expenditures for Holstein Canada. Further evidence of the robust cost controls in effect, labour costs fell by 5% during the year as efficiencies from the new Herdbook application were identified and implemented ensuring permanent savings.

Software initiatives totaled \$1,303,206 in the Development Fund and included the successful launch of the Herdbook application, electronic document delivery, numerous web enhancements for members, and programming to allow Holstein Canada to begin Cattle Assessments as part of the proAction™ initiative. A further \$116,511 was expended on Branch programs as well as advancing the on Farm Data Access Project.

As in previous years, the Reserve Fund serves as the primary source of funding for the Associations Development Fund projects. Significant software developments over the past few years have been supported through this fund, however it remains in a very strong position with a balance of \$5,165,960. Investments in high grade securities provided for a

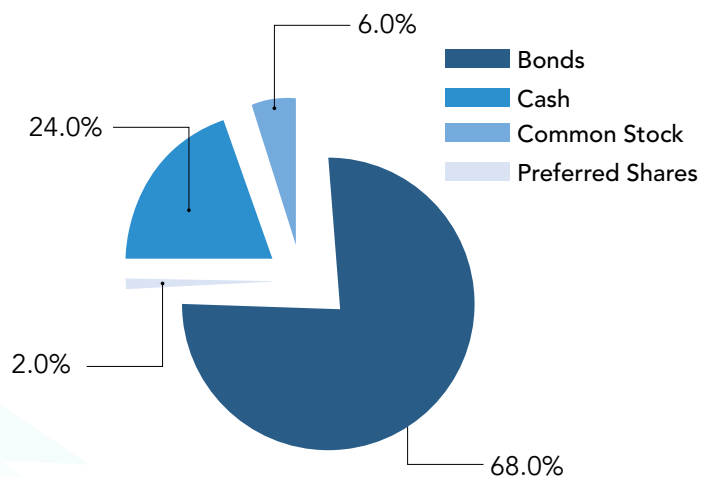
conservative, but respectable, 3% annual return in an era of historically low interest rates.

2017 Outlook

Expectations for 2017 financial year are for a period of stable revenues and expenses overall. Permanent cost savings realized in 2016 are being invested in the full roll out of the proAction Cattle Assessment service. Highly valued programs in Field Service and Education & Extension are to continue as they have in the past, along with other programs such as Young Leaders and Shows & Judging.

With the release of the Herdbook application, we now have a stable platform to expand online member services and expand the functionality of the software. A list of projects has been identified and Management, with Board input, has prioritized those to be developed and implemented in the upcoming years to allow Holstein Canada to remain current with the fast changing technology needs of our members. The continual investment in software projects, expansion of member services in the areas of Cattle assessments and genomics will position Holstein Canada to maintain its relevance in the dairy industry over the short and long term. This is all part of a larger strategy by the Board of Directors and Management to secure the financial viability of the Association while ensuring Holstein Canada maintains its proud reputation and value to members.

Reserved Investments - \$5.2 Million



Statement of Financial Position

As at December 31

				2016	2015
	Operating	Reserve	Development		
	Fund	Fund	Fund	Total	Total
Assets					
Current assets					
Cash and bank (Note 2)	\$ 587,262	\$ 119,363	\$ -	\$ 706,625	\$ 366,655
Temporary investments (Note 3)	-	412,516	-	412,516	821,837
Accounts receivable (Note 4)	1,564,822	-	-	1,564,822	1,330,989
Other receivables	121,789	-	-	121,789	228,956
Inventory	36,738	-	-	36,738	32,943
Prepaid expenses	130,158	-	-	130,158	201,489
	2,440,769	531,879	-	2,972,648	2,982,869
Investments (Note 5)	-	4,634,081	-	4,634,081	5,595,465
Capital assets (Note 6)	2,751,861	-	-	2,751,861	2,815,567
	\$ 5,192,630	\$ 5,165,960	\$ -	\$ 10,358,590	\$ 11,393,901
Liabilities and Fund Balances					
Current liabilities					
Accounts payable and accrued liabilities (Note 7)	\$ 1,302,090	\$ -	\$ -	\$ 1,302,090	\$ 1,234,458
Deferred revenue (Note 8)	64,244	-	-	64,244	52,079
	1,366,334	-	-	1,366,334	1,286,537
Fund balances					
Internally restricted	-	5,165,960	-	5,165,960	5,936,650
Unrestricted	3,826,296	-	-	3,826,296	4,170,744
	3,826,296	5,165,960	-	8,992,256	10,107,364
	\$ 5,192,630	\$ 5,165,960	\$ -	\$ 10,358,590	\$ 11,393,901

Statement of Operations and Changes in Fund Balances

For the year ended December 31

				2016	2015
	Operating Fund	Internally Restricted Reserve Fund	Internally Restricted Development Fund	Total	Total
Revenue					
Income from operations	\$ 11,699,557	\$ -	\$ -	\$ 11,699,557	\$ 11,643,271
Investment income	19,016	221,750	-	240,766	249,931
Unrealized gain (loss) on investments	-	81,472	-	81,472	(80,798)
Realized loss on investments	(13,914)	(12,279)	-	(26,193)	(42,184)
	11,704,659	290,943	-	11,995,602	11,770,220
Expenses	11,690,993	-	1,419,717	13,110,710	13,763,830
Excess (deficiency) of revenues over expenses	13,666	290,943	(1,419,717)	(1,115,108)	(1,993,610)
Fund balance, beginning of year	4,170,714	5,909,232	27,418	10,107,364	12,100,974
Transfer (to) from other funds	(358,084)	(1,034,215)	1,392,299	-	-
Fund balance, end of year	\$ 3,826,296	\$ 5,165,960	\$ -	\$ 8,992,256	\$ 10,107,364

Statement of Cash Flows

For the year ended December 31

	2016	2015
Cash flows from (used in) operating activities		
Excess of expenses over revenues	\$ (1,115,108)	\$ (1,993,610)
Items not affecting cash		
Amortization	306,663	402,660
Accrued interest	(27,916)	-
Loss on disposal of capital assets	5,756	12,951
Realized loss on sale of investments	26,193	42,184
Unrealized (gain)/loss on investments	(81,472)	80,603
	(885,884)	(1,455,212)
Changes in non-cash working capital		
Accounts receivable	(233,833)	56,599
Other receivables	107,167	24,686
Inventory	(3,795)	(8,381)
Prepaid expenses	71,331	(19,893)
Accounts payable and accrued liabilities	67,632	(36,296)
Deferred revenue	12,165	353
	(865,217)	(1,438,144)
Cash flows from (used in) investing activities		
Purchases of capital assets	(264,216)	(270,813)
Proceeds on disposal of capital assets	15,500	31,500
Proceeds on sale of investments	1,453,903	1,006,506
Purchase of investments	-	(176,643)
	1,205,187	590,550
Increase (decrease) in cash during the year	339,970	(847,594)
Cash and cash equivalents, beginning of year	366,655	1,214,249
Cash and cash equivalents, end of year	\$ 706,625	\$ 366,655
Cash consists of:		
Cash in bank	\$ 587,262	\$ 342,076
Cash equivalents	119,363	24,579
	\$ 706,625	\$ 366,655

Notes to the Financial Statements

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, \$102,660 (2015 – \$86,722) 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	3-4 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 \$1,000,000 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

Canadian provincial and public authorities - operating fund
Canadian provincial and public authorities - reserve fund

	2016	2015
	\$ -	\$ 513,914
	412,516	307,923
	\$ 412,516	\$ 821,837

The Canadian provincial and public authorities bonds have an interest rate of 2.25% - 6.00% (2015 - 3.75% - 4.50%).

4. Accounts Receivable

Accounts receivable are net of an impairment allowance of \$16,988 (2015 - \$10,000).

5. Investments

Bonds and Debentures

Canadian provincial and public authorities - reserve fund
Canadian corporate

	2016	2015
	\$ 2,269,901	\$ 2,839,732
	841,581	1,270,082
	3,111,482	4,109,814
	290,681	310,737
	1,231,918	1,174,914
	\$ 4,634,081	\$ 5,595,465

Equities:

Preferred shares
Common shares

Bonds and Debentures

The Canadian provincial and public authorities bonds have interest rates between 2.90% - 4.70% (2015 - 1.75% - 6.00%). These investments will mature as follows: \$1,288,134 within 2 to 5 years and \$981,767 after 5 years.

The Canadian corporate bonds have interest rates between 2.60% - 4.83% (2015 - 2.60% - 5.00%). These investments will mature as follows: \$739,145 within 2 to 5 years and \$102,436 after 5 years.

Preferred Shares

The preferred dividend yields range from 4.80% - 5.80% (2015 - 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

		2016		2015
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 328,851	\$ -	\$ 328,851	\$ -
Building	3,008,125	1,504,355	3,008,125	1,404,084
Building Improvements	102,968	45,532	94,557	35,956
Fafard Sculpture	179,686	-	179,686	-
Office furniture and equipment	1,508,816	1,345,716	1,409,166	1,280,720
Automobiles	944,662	475,903	896,891	432,205
Data processing	4,451,076	4,400,817	4,421,652	4,370,396
	\$ 10,524,184	\$ 7,772,323	\$10,338,928	\$7,523,361
		\$ 2,751,861		\$2,815,567

7. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities are government remittances payable of \$49,482 (2015 – \$34,688).

8. Deferred Revenue

The balance of \$64,244 (2015 – \$52,079) 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 \$144,164 (2015 – \$145,914).

10. Financial Instruments

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.

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

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.

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.

There have not been any changes in the risks identified above from the prior year.

11. Commitment

The Association is committed to funding approximately 20% of the annual operating costs of the Canadian Dairy Network pursuant to an agreement between both entities. The estimated annual cost to the Association is expected to be approximately \$420,000 in 2017.