

# 2018 ANNUAL REPORT

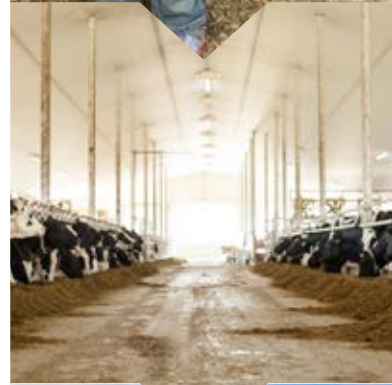


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Proud  
Supporter



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# HOLSTEIN CANADA'S 136<sup>TH</sup> ANNUAL GENERAL MEETING AGENDA



- 7:30 a.m. Continental buffet breakfast
- 9:00 a.m. *Confederation Ball Room* – Delta Hotels Prince Edward
- 11:30 a.m. Buffet lunch
- 5:30 p.m. Please join us this evening for a reception in the foyer and *Harbourview Terrace* to celebrate our Master Breeders. *Doors to the Confederation Ballroom will also be open if you would like to find your table*

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 2018 Annual General Meeting of Members
6. Address of the President
7. Chief Executive Officer's Report
8. 2018 Financial Report
9. Presentation of the 2019 Budget
10. Appointment of Audit Firm
11. Introduction of Industry Partners
12. Remarks from Industry Partners & International Guests
13. Presentation of Century of Holsteins Awards
14. Proposed By-law Amendment
15. 2018 Member Resolutions
16. Committee Reports
  - a. Classification Advisory
  - b. Show and Judging
  - c. Breed Advisory
17. Members' Input Session
18. Invitation to the 2020 Convention and AGM in Saskatchewan
19. Thank you to Joanne and Harry Van der Linden
20. Unveiling of Cow of the Year
21. Adjournment

Immediately after the AGM, a short fundraising activity followed by a Member input session on Exploring Show Class Options.



## PRESIDENT'S MESSAGE



**HARRY VAN DER LINDEN,**  
President

It has been an honour and a privilege to serve as your President this past year. Eight years ago, when I joined the Holstein Canada Board as the Director for Atlantic Canada, I certainly had not anticipated writing this message today as your President. This past year has been a busy one, both very rewarding and very challenging due to the changing landscape of our dairy business. As dairy farmers, we are called to change and adapt to new realities quicker than ever.

Holstein Canada, as your organization, is doing the same. In last year's presidential report, my Board colleague Orville Schmidt stated, "The goal of most dairy producers across Canada was to find ways to produce more milk." Today, just a few months later, many dairy producers are re-evaluating many aspects of their operation. More than ever, producers are focusing on their bottom lines due to tighter margins, striving to gain efficiencies, and devoting more time to plan for the future.

This is exactly what Holstein Canada did in 2018, and will keep doing in 2019. While continuing to examine every dollar invested, the Board of Directors and Management team devoted energy to planning for the future, to listening to members across Canada, and to evaluating the delivery of relevant core services and programs that contribute to the profitability of your herd. New Vision and Mission statements are an indication of the direction the Board of Directors

proposes to take Holstein Canada. Our focus is on six key areas, as you can read on page 11.

As you can see, people remain the basis of our Strategic Plan. To this end, I want to recognize our Clubs and provincial Branches, these very important structures from which we seek input. In order to evolve with your operations, we need to know what you want from Holstein Canada; the good thing is you are never shy to tell us. This is also the reason we rely so heavily on our Committees – the grassroots input shapes Board decisions. Thank you to producers from across Canada who devote time and energy to our Committees and Branches.

Youth continues to be a source of inspiration. Whether by participating in our Young Leaders program or through individual activities across the country, you are truly a passionate generation. Your enthusiasm and willingness to embrace change and new technologies point to a great future for our dairy industry. We have increasingly used Young Leader input in recent decisions and programs, and will continue to do so by inviting more youth into our formal Committee structure.

### **The Canadian Industry**

Our partnerships with fellow industry stakeholders continue to grow and evolve as our industry changes. A positive outcome of recent political turmoil is the increased consumer awareness

## PRESIDENT'S MESSAGE



of the Blue Cow logo. We are proud to stand even closer with Dairy Farmers of Canada (DFC), both for this campaign and a renewed working relationship for cattle assessments under the proAction® program. Our Board of Directors, on behalf of our 10,000 members, is a proud supporter of DFC.

Holstein Canada continues to maintain strong ties with the Canadian Dairy Network in discussions and programs, which will assist our members in managing their genetics and genomics. In this rapidly changing world, we feel there are still a few steps ahead to help Canadian dairy producers realize the full potential of their on-farm genomic results. Also in the area of genetics, our Breed Advisory Committee actively worked with CDN to adjust the LPI formula to accurately reflect today's realities.

### Thank You!

During the past year, I have had the pleasure of visiting members in all ten provinces. While landscapes are different, goals are exactly the same: we all strive to breed the true-type Holstein cow who will give lots of milk, with great components and strong health traits who will make a positive contribution to our bottom line. From Bay Bulls, NL to Ladysmith, B.C., we are all chasing the same dream. Holstein Canada is a partner in achieving that dream.

I would not have been able to serve as your President this past year without the help and support of many individuals. A very special thank you to:

- My family and members of the Lindenright team, without whom I could not have been away from the farm as much as I was.
- Ann Louise Carson, the Management Team,

and the staff at Holstein Canada for their dedication and hard work.

- The Board of Directors for allowing me the privilege to serve as your President. I would especially like to thank Gerald Schipper, 1<sup>st</sup> Vice President, and Elyse Gendron, 2<sup>nd</sup> Vice President, for their collaboration and wise counsel on the Executive Committee.
- You, the members of Holstein Canada, for your loyalty, for making 2018 a record year, and for your openness, as that is what keeps us on our toes and assures our future.

It has been a year of highlights, from putting the roses on a homebred Black & White Royal Champion, to representing you outside of Canada, to meeting many of you at your Branch AGMs and in your barns, to making Master Breeder calls in early January. I am particularly pleased to complete my Presidential year here in Atlantic Canada. It has truly been a year to remember.

Respectfully submitted,

Harry Van der Linden,  
President

## CHIEF EXECUTIVE OFFICER'S MESSAGE



**ANN LOUISE CARSON,**  
Chief Executive Officer

In 2018, we saw that our industry is constantly changing, maybe more clearly than ever. Being producer-owned and governed, Holstein Canada is a direct reflection of the Canadian dairy industry. In 2018, that meant a year of great success and growth while refocusing, planning, adjusting, and making the word 'value' the centre of almost every discussion. Just like Canadian dairy producers, we frequently asked ourselves the question, "How can we do better, do more, be more efficient, and be of greater service to clients?"

Thanks to Canadian producers seeing the value of Registration and Classification, Holstein Canada established two significant new records in our core services. Of course breaking the '300K' level for registrations and having classifications shoot up past 271,000 are milestones to be celebrated – with you, our clients. However, Holstein Canada is not in business to break records; we are here to support your herd profitability. Rest assured, we will continue to evolve as you, and our industry, dictates.

One example of this evolution is working closely with Dairy Farmers of Canada and 100% of Canadian producers in the Animal Care module of proAction®. We thank DFC and its provincial members for their support in entrusting our Team to be the sole provider of animal assessments. This is a prime example of industry partners working together to offer quality service in the

most efficient manner possible. We are very pleased to continue and expand our business relationship with DFC for the next four years and beyond, including working closely with DFC and other partners on the Traceability module.

Managing your data, both in receiving it in the most efficient manner possible and returning it to you with added value, remains a top priority at Holstein Canada. Some new features were added to Web Accounts in 2018; however, most of the work done was behind the scenes to prepare for some significant technological progress in 2019. This includes the launch later this summer of Compass, a web-based tool designed to manage the genetics of your herd (developed in collaboration with CDN) and a software integrating field service, cattle assessments and classification roles to make each farm visit more efficient. We have heard – and understand – your message loud and clear about data retrieval for our core services from automated systems. Work is being done on various fronts, including staying informed on pending industry developments.

Another area of change for Holstein Canada and Canadian producers is the new reality of international markets, largely due to buying power and new trends worldwide. Holstein Canada remained active internationally in 2018 by supporting Canadian exporters via the Canadian Livestock and Genetics Association (CLGA) and through our judging program. Of note in 2018

## CHIEF EXECUTIVE OFFICER'S MESSAGE



was the interest in our Classification program, with our Team giving training sessions in Australia and Mexico, and continuing our leadership in various parts of the World Holstein Friesian Federation (WHFF) structure.

Closer to home, Holstein Canada is pleased to widen its work with our sister dairy breeds, which included taking on administration work for Brown Swiss Canada. We now offer Herdbook services for five breeds, administrative support for two (and Holstein Ontario), and of course are pleased to continue to offer Classification to all breeds. One more example of efficiency!

Within our Holstein family, it has been very rewarding to see all our Field teams – Classification, Field Service, Assessors and Branch staff – working closely together. I thank the Québec and Ontario General Managers for their great collaboration, and know there is even more teamwork ahead. A special 'thank you' as well to all the Branch volunteers for their focus on our members and the countless hours they put towards our joint success.

Alongside the external factors of change, the Holstein Canada Team has seen a significant evolution. In 2018, we welcomed some brilliant new minds to complement the devoted team in place. In the last four years, we have decreased the office team by just under 20% (while processing new records!) and expanded our field team by 25%. Efficiency in the office plus feet on the ground is a winning combination! I thank each and every colleague for going the extra "kilometer" – they do this for you, the Canadian dairy producer.

I have the privilege to work WITH a great team – and FOR a great team. I thank the Board of Directors for their unlimited dedication. It was

inspiring to see them take on the often daunting exercise of a very in-depth Strategic Planning reflection in 2018, along with their many other responsibilities.

To President Harry, who I witnessed having great member conversations in barns from the east coast of Newfoundland to Vancouver Island, I say hats off to you for your leadership and for always looking ahead.

We indeed experienced much exciting change in 2018, even if it was a little unnerving at times. Yet throughout the year and my travels to see you, I was continuously reminded, and even comforted, at what seems to NEVER change: your passion for our beautiful breed, the energy of our youth, the pride in our logo. This is my greatest source of motivation.

Respectfully submitted,

Ann Louise Carson,  
Chief Executive Officer

## BOARD OF DIRECTORS



**HARRY VAN DER LINDEN**  
President  
NS



**GERALD SCHIPPER**  
Vice-President  
ON



**ELYSE GENDRON**  
2nd Vice-President  
QC



**BEN CUTHBERT**  
BC



**ORVILLE SCHMIDT**  
AB



**RON BOERCHERS**  
MB/SK



**DOUG PEART**  
ON



**DENNIS WERRY**  
ON



**NANCY BEERWORT**  
ON



**ANGUS MACKINNON**  
QC



**GILLES CÔTÉ**  
QC



## BOARD COMMITTEES



**Audit, Risk Management and Finance** | Chair: Elyse Gendron (QC)  
Ron Boerchers (SK / MB), Nancy Beerwort (ON), Doug Peart (ON)



**Awards** | Chair: Orville Schmidt (AB)  
Doug Peart (ON), Elyse Gendron (QC), Angus MacKinnon (QC)



**Breed Advisory** | Chair: Gilles Côté (QC)  
Ben Cuthbert (BC), Orville Schmidt (AB), Olivier Leclerc (QC), Mathieu Lemire (QC), Phillip Vroegh (NS), Ian Crosbie (SK), Josh Ireland (ON), Dr. Gordon Atkins (AB), Lynsay Beavers (ON)



**Classification Advisory** | Chair: Ben Cuthbert (BC)  
Dennis Werry (ON), D.R. Vaandrager (BC), Dr. Gordon Atkins (AB), Dan Aitken (ON), Brian Carscadden (ON), Todd Nixon (ON), Thierry Jaton (QC), Bloyce Thompson (PE)



**Cow of the Year** | Chair: Orville Schmidt (AB)  
Jeff Donohoe (MB), Tom Hawman (ON), Jocelyn Nault (QC), Matt Clarke (NB)



**Election** | Chair: Glen McNeil (ON)  
James Cranston (ON), John Buckley (ON)



**Governance** | Chair: Doug Peart (ON)  
Gerald Schipper (ON), Nancy Beerwort (ON), Angus MacKinnon (QC), Harry Van der Linden (NS)



**National / Branch Joint Meeting Representatives** | Chair: Dennis Werry (ON)  
Angus MacKinnon (QC), Harry Van der Linden (NS), Gerald Schipper (ON), Ron Boerchers (MB/SK), along with representatives from each branch



**Show and Judging** | Chair: Nancy Beerwort (ON)  
Dennis Werry (ON), Markus Hehli (AB), Ari Ekstein (ON), Dan Doner (ON), Scott Brethet (ON), Kim Côté (QC), Pierre Boulet (QC), Jeff Bysterveldt (PEI)



**Young Leader Advisory** | Chair: Kenton Lindenbach (SK/MB)  
Board Representatives: Angus MacKinnon (QC); Michael Barnum (BC/AB), Alex Dolson (ON), Ryan Wert (ON), Laurence Boulet (QC), Olivier Roy-Tanguay (QC), Cynthia Campbell (NS)

## BUSINESS ACTIVITY



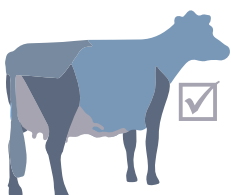
### CLASSIFICATION ACTIVITY

Activity	2018	2017	2016	2015	2014	2013
Herd Visits	13,841	14,713	15,310	16,111	17,207	17,005
Holstein Animals	254,068	245,940	241,469	244,236	244,919	248,417
Other Dairy Breed Animals	17,204	17,117	16,619	17,037	17,979	18,161
<b>Total Animals</b>	<b>271,272</b>	<b>263,057</b>	<b>258,088</b>	<b>261,273</b>	<b>262,898</b>	<b>266,578</b>

### HERDBOOK ACTIVITY (COMPARATIVE BY PROVINCE)



Province	Memberships		Registrations		Transfers		Genomic Tests	
	2018	2017	2018	2017	2018	2017	2018	2017
British Columbia	383	386	23,388	22,564	1,343	1,754	1,341	1,515
Alberta	441	441	26,354	24,877	1,595	2,399	1,206	713
Saskatchewan	122	122	6,906	6,781	756	1,222	460	638
Manitoba	229	236	11,885	11,781	846	1,271	460	530
Ontario	3,671	3,766	112,774	109,832	12,779	12,805	4,583	4,050
Quebec	4,379	4,523	107,050	102,365	17,947	17,549	8,636	9,241
New Brunswick	179	177	5,376	5,299	253	439	432	620
Prince Edward Island	168	173	4,867	4,586	709	1,183	136	228
Nova Scotia	183	186	5,392	5,089	436	401	326	373
Newfoundland	16	16	1,134	1,074	54	85	257	324
International	3	2	17	1	323	389	0	1
<b>Totals:</b>	<b>9,774</b>	<b>10,028</b>	<b>305,143</b>	<b>294,249</b>	<b>37,041</b>	<b>39,497</b>	<b>17,837</b>	<b>18,233</b>



### CLASSIFICATIONS

271,272

↑ 3%



### REGISTRATIONS

305,143

↑ 4%

# HOLSTEIN CANADA STRATEGIC PLAN 2019-2021



## OUR VISION

A healthy Canadian dairy industry for all

## OUR MISSION

Delivering progressive services and programs for dairy herd management

## OUR VALUES

Service Excellence, Integrity, Accountability, Business Sense, Passion, Innovation



## PRODUCER ENGAGEMENT

To cultivate two-way business relationships with producers



## YOUTH ENGAGEMENT

To engage with the next generation of producers



## GROWTH & VALUE

To evolve Holstein Canada services in a changing dairy industry



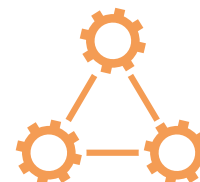
## ON-FARM SERVICE EXCELLENCE

To consistently deliver efficient and effective on-farm services across Canada



## VALUE-ADDED TECHNOLOGY

To deliver timely, strategic and data-driven solutions



## BUSINESS CONNECTIONS

To build and maintain strategic business connections

## OUR IDEAL FUTURE

- Holstein Canada is an essential business partner to all Canadian dairy producers.
- Whether on-farm or online, all dairy producers value Holstein Canada programs and services.
- Our team members offer unbiased consultation, informative resources and quality services that add value to every farm's bottom line.
- We continually enhance our user-friendly service options.
- Holstein Canada continues to align and collaborate with stakeholders to increase industry efficiency for the benefit of Canada's dairy producers.

## MEMBER AWARDS & RECOGNITION



### CENTURY OF HOLSTEINS

For 100 Years of Continuous Holstein Canada Membership

1919 - 2018	FAWCETTDAL	Descendants of Andrew Fawcett	Winchester, ON
1919 - 2018	LILAC LODGE	Descendants of George A. Godfrey	North Wiltshire, P.E.I.

### MASTER BREEDER AWARDS

Recognizing breeding excellence

2 <sup>nd</sup>	BENCO	Benco Holsteins	Chilliwack, BC
2 <sup>nd</sup>	BRABANTDALE	Brabantdale Farms Ltd.	Ottawa, ON
2 <sup>nd</sup>	BROOKVILLA	Francis Colin Campbell	Cape Breton, NS
2 <sup>nd</sup>	CALBRETT	Cormdale Genetics Inc.	Cambridge, ON
1 <sup>st</sup>	CARROLLVIEW	Paul Martin Carroll	Milford, NS
1 <sup>st</sup>	DARIDELITE	Dari Delite Farms Ltd.	Sicamous, BC
2 <sup>nd</sup>	FLEURY	Fleury Holstein	Victoriaville, QC
1 <sup>st</sup>	FRONT VIEW	Fermes Verhaegen Inc.	Clarenceville, QC
1 <sup>st</sup>	GERANN	Gerann Holsteins	Cardinal, ON
1 <sup>st</sup>	HAMMING	Hamming Holsteins Ltd.	Vernon, BC
1 <sup>st</sup>	JOLIBOIS	Ferme Rolandale enr.	St. Flavien, QC
1 <sup>st</sup>	KENNETCOOK	Stanley White	Musquodoboit, NS
1 <sup>st</sup>	MARFLOACRES	Wayne and Karen Martin	Mount Forest, ON
1 <sup>st</sup>	MARSFIELD	Gert and Sonja Schryver	Stettler, AB
1 <sup>st</sup>	MISTY SPRINGS	Misty Spring Holsteins	Little Britain, ON
2 <sup>nd</sup>	OKADALE	Ferme Okadale Inc.	Oka, QC
1 <sup>st</sup>	RED OAK	Red Oak Farms	Oyster Bed, P.E.I.
1 <sup>st</sup>	RODVEIL	Rodveil Holstein	St-Simon-les-Mines, QC
2 <sup>nd</sup>	SPRUCECHO	Sprucecho Farms Inc.	Moorefield, ON
1 <sup>st</sup>	WEEBERLAC	Tim and Diane Groniger	Carlsbad Springs, ON
1 <sup>st</sup>	WOODBIDGE	Woodbridge Holsteins	Neustadt, ON

### SCHOLARSHIP AWARDS

Supporting youth education

Cassandra Allen	University of Guelph	Alfred, ON
Derrick Knill	University of Guelph	Bornholm, ON
Émile Pouliot	Université de Laval	La Durantaye, QC
Erin Cuthbert	University of Glasgow	Ladysmith, BC
Lars Iversen	University of Saskatchewan	Olds, AB
Ryan Porter	Dalhousie University	Lower Onstow, NS

### BOVINE MEDICINE AWARDS

Supporting Canadian veterinary education

Dr. Kelsey Goodick	University of Prince Edward Island Atlantic Veterinary College
Dr. Laurence Leduc	University of Montreal: Faculty of Veterinary Medicine
Dr. Rob Stevens	University of Saskatchewan Western College of Veterinary Medicine
Dr. Stephen Elgersma	University of Guelph Ontario Veterinary College



## 2018 NON-BINDING RESOLUTIONS: ACTION UPDATE



### A. SUBJECT AREA: ADMINISTRATION

#### 1. Submitted by Branch: Quebec

- Whereas genomics is still an important criterion for the breed;
- Whereas the use of genotyping in Canada is at a rate of approximately 10%;
- Whereas more and more private companies offer genotyping services;

**Be it resolved that** Holstein Canada implement a new registration procedure at a lower price that would include genotyping at the time of registration, at a favourable price, which would help the breed continue to advance with genomics.

**Action:** Holstein Canada has taken note of this resolution for future discussions on pricing strategies.

### B. SUBJECT AREA: AWARDS

#### 2. Submitted by Branch: Quebec

- Whereas several breeders display their award certificates as promotional tools;
- Whereas breeders are proud to receive awards;
- Whereas the look of the new award certificates has been a disappointment since the purchase of new printers;
- Whereas with Holstein Canada e-documents, breeders can choose to print their awards certificates at home;

**Be it resolved that** we ask Holstein Canada to find a solution to improve the look of the award certificates (colour and style).

**Action:** Since August 2018, awards have a new look, high-quality print, and a new design with red as the main colour.

#### 3. Submitted by Branch: Quebec

- Whereas herds' average age is not increasing and tends to decrease;
- Whereas herds' profitability is directly linked to herds' longevity;
- Whereas it costs the same amount of money to raise a cow, whether it lasts one or several lactations;
- Whereas the Master Breeder title now awards bonus points to longevity;
- Whereas the performance and longevity of a cow that is not EX is not published;

**Be it resolved that** Holstein Canada look into a new award (published online on the same line as classification score and stars) to promote cows with a minimum of 83 points and 6 completed lactations.

**Action:** Following discussion by the Awards and Young Leader committees, Holstein Canada introduced three new awards in March 2019. These awards highlight longevity and functionality using total actual production, in a format allowing filtering data for different criteria.

### C. SUBJECT AREA: CLASSIFICATION

#### 4. Submitted by Branch: New Brunswick

- Whereas all genetic evaluations, including genomics, require as inputs to the model accurate phenotype data;
- Whereas biased data decreases the accuracy of Estimated Breeding Values (EBVs);

**Be it resolved that** for all unclassified females, over 30 days in milk, and with registered sons, that the female must be classified; and further;

**Be it resolved that** the female cannot be classified as “out of condition.”

**Action:** The Classification Advisory Committee reviewed the issue of lack of phenotypic data on dams of young bulls at their 2018 meeting and will continue discussion in 2019. Current practical issues and roles required addressing before implementation of this resolution (e.g. identification of cows, enforcement to classify and applicable penalties if not presented).

#### **D. SUBJECT AREA: GENETICS**

##### **5. Submitted by Branch: Manitoba**

- Whereas genomics is proving to be a great tool for our industry, it is disappointing that rather than discover “new” high genetic families, its use has instead resulted in a narrower genetic pool that produces our sires;
- Whereas the cost of producing this information is being borne by a rapidly shrinking number of producers;

**Be it resolved that** Holstein Canada investigate whether it would be possible, using our comprehensive database, to identify two groups of animals that have been overlooked in our current formulation.

1. The families of sires that produce great female lines but not males (Blackstar, Rudolph).
2. Families whose offspring are only average producers in lactation; but who have exceptional later lactations and lifetime production. If we could identify genomic markers for these animals and give them recognition on their indexes, we would open up the genetics of many families and help maintain ‘Canadian Kind’ unique from other Holsteins in the world.

**Action:** The topic was given for review to the Breed Advisory Committee (BAC), who requested CDN make a presentation on the requirements for potential Maturity Index. A large reference population is required to create such an index, with analysis resulting in a 3-5 year project. The BAC felt that the relevance of the information did not warrant a follow up at this time.

##### **6. Submitted by Branch: Quebec**

- Whereas breeders increasingly use haplotypes as a genetic criterion in their breeding strategy;
- Whereas this information is already available on the CDN website;
- Whereas in order to keep clients interested in the Holstein Canada website, necessary information should be made available quickly and easily;

**Be it resolved that** Holstein Canada add haplotypes to the pedigrees and publish them on the Holstein Canada website so the information is easily accessible.

**Action:** Holstein Canada’s current publishable genetic trait data aligns with World Holstein Friesian Federation. While CDN is responsible for the haplotype probability calculation, available on their website, it will also be available later in 2019 via Compass.

#### **E. SUBJECT AREA: SHOWS**

##### **7. Submitted by Branch: New Brunswick**

- Whereas the Holstein breed has progressed so much and to be proactive with regards to show participation and support;

**Be it resolved that** Holstein Canada explore the possibility of adjustment to the structure of shows; and further;

**Be it resolved that** any changes must be reviewed by the membership.

**Action:** The Show & Judging Committee looked at different methods of class structure used around the world and reviewed the various trials done at shows in Canada. Member input sessions on Exploring Show Class Options will be held in Charlottetown on April 27, 2019, and with exhibitors at the 2019 Royal Winter Fair. The Show & Judging Committee will evaluate input.

#### 8. Submitted by Branch: PEI

- Whereas our dairy industry has seen unprecedented growth;
- Whereas our Holstein breeders have been progressive in their adaptation to that growth; with a willingness to embrace change;
- Whereas the show sector of our industry has not seen similar growth or change;

**Be it resolved that** Holstein Canada support our efforts with continued discussion as we make changes to our class structure in Atlantic Canada in our efforts to not only grow and strengthen our shows but also to be more relative to our industry.

**Action:** The Show and Judging Committee (supported by the Board) expressed their support for this project.

#### 9. Submitted by Branch: Quebec

- Whereas year after year, there are fewer animals presented at shows;
- Whereas at the shows, heifers born in March, June, September and December have a definite advantage in terms of development;
- Whereas the value of an animal is significantly higher simply because it is born in March, June, September or December and, in contrast, is considerably lower when the animal is not born in those specific months;
- Whereas doing this would remove any doubt on the true birthdates of the animals;

**Be it resolved that** Holstein Canada investigate the possibility of having Show classes based on the age of the animals at the time (day or month) of the show – heifers: 0-3, 3-6, 9-12-month-old, etc.; cows: under 24, 24-34, 30-36-month-old, etc. – instead of using their birthdate.

**Action:** See actions from Resolution 7

#### 10. Submitted by Branch: Ontario

- Whereas animals exhibited at shows is an important component of the marketing of Canadian Holsteins, and;
- Whereas the breeding, feeding, rearing and managing of North American Holsteins have all changed significantly since the show ages were last studied and revised 35 years ago, and;
- Whereas since the adoption by Holstein breeders of IVF, sexed semen and genomic genetic evaluations, the most marketable age of animal is now heifers under one year of age compared to bred heifers and first lactation cows 40 years ago, and;
- Whereas the Senior Yearling class has been changed from an uncalved to a milking class for fall shows, thereby making the class in uncalved form meaningless, and;
- Whereas the June Calf class only has meaning in the fall, and;
- Whereas for shows to retain their importance in the breeding of Holsteins they need to be progressive in approach and delivery;

**Be it resolved that** Holstein Canada conduct a study of show ages to find the best ages for 2020 and beyond for heifers that best support junior programs and the marketing of fully documented show animals; and further;

**Be it resolved that** Holstein Canada approach Holstein Association USA with the goal of making the study a North American Holstein initiative; and involve Provincial Holstein Branches in the study. (Note Atlantic Canada is testing out show age revisions for 2018).

**Action:** See actions from Resolution 7

## 11. Submitted by Branch: Ontario

- Whereas the RAWF National Holstein Show provides exhibitors the opportunity to showcase their best animals;
- Whereas in the past 2 years the large number of animals shown in the March and December calf classes (41 March calves for both years and for December 53 and 45, respectively) have not had sufficient space in the Ring of Excellence for exhibitors to show their heifers to the judge;

**Be it resolved that** Holstein Canada and the RAWF Show Committee investigate alternative options to the current show schedule.

**Action:** The Ring of Excellence at the 2018 Royal was an adequate ring size. The Show schedule was discussed at Royal Dairy Cattle Committee meeting in November 2018. There are no plans to change the schedule for the 2019 Royal.

## 12. Submitted by Branch: Quebec

- Whereas the Breeders' Cup is a popular competition run by several Holstein clubs in the province;
- Whereas results of this competition deserve to be known as there is a considerable number of cows entered that stand out both in terms of production and conformation;
- Whereas in some clubs, cows entered in the Breeders' Cup are not presented at regular Shows;
- Whereas those cows are judged by professional judges;
- Whereas winners of this competition stand out in their regions as Show winners do;

**Be it resolved that** Holstein Canada publish the results of the 1<sup>st</sup> of each class and the Breeders' Cup Champions, on the animal's online record, on Holstein Canada's website.

**Action:** The Show & Judging committee reviewed this resolution. Following discussion on the lack of standardization for Breeders' Cup competitions, the Committee feels each area should continue adapting the Breeders' Cup competition to meet their needs. The Committee makes no recommendations for standardizing the rules.



# 2018 FINANCIAL REPORT

Lorna Fothergill, Controller - Finance



## OPERATING FUND

In 2018, the development fund was combined with the operating fund, to reflect that investment in technology has become an integral part of day-to-day operations.

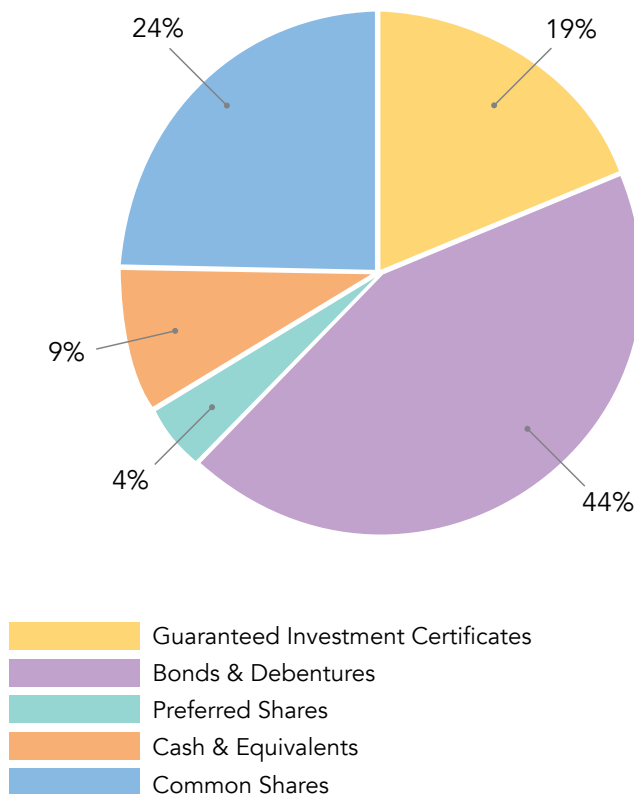
Income from operations for the year totalled \$12.7M; 2% lower than the budget, 2% higher than the prior year. Core service activity set record highs in both registration and classification, while membership numbers continued to show a slight decline.

Total expenses were \$13.5M, a planned increase from 2017, and under watchful cost management, were 5% better than budget. The 2018 operating fund deficit was \$783,276. The Association's commitment to technology contributed to the deficit. The hiring of a manager dedicated to IT operations and project management and continual enhancements to add features and functionality to the Herdbook application are the major reasons behind this investment. In 2018, there was also significant IT development on the Field Services Mobile Platform ("FMP") that will support field staff in providing seamless service solutions and improved reporting to producers.

## RESERVE FUND

After a decade of declining interest rates, 2018 saw rates rise. Investments in fixed income securities continue to generate income, while the increase in interest rates contributed to a decrease in the market value of the Fund. In a challenging market year, the Reserve Fund continued to earn investment income with a solid 3% return. Risk has been minimized by investing in a diversified number of high-quality companies, whose stocks have the potential for capital appreciation over time.

## RESERVE FUND INVESTMENTS \$4.3 MILLION



## 2019 OUTLOOK

Expectations for the 2019 financial year target a 6% increase in revenues and 3% increase in expenses. The Association will continue to invest in the development of effective, technology-based applications to support enhanced on-farm service and producer-focused solutions. Diligent cash flow management will limit the drawdown of the Reserve Fund to drive these and other 2019 initiatives in support of our Strategic Plan.

## SUPPLEMENTARY SCHEDULE OF REVENUE & EXPENSES



For the year ended December 31

	Revenue		Expenses		Excess (Deficiency) of Revenue over expenses	
	2018	2017	2018	2017	2018	2017
Herdbook Services	\$ 7,171,488	\$ 7,264,997	\$ 4,058,752	\$ 4,223,389		
Classification & Assessment	5,143,605	4,829,300	4,521,358	4,005,269		
Strategic Communication	340,409	326,781	722,701	689,298		
Executive & Administration	-	-	1,730,441	1,633,735		
Business Technology Solutions	-	-	1,556,262	1,593,289		
Finance & Facilities	80,157	56,911	950,998	908,634		
<b>Income from Operations</b>	<b>\$ 12,735,659</b>	<b>\$ 12,477,989</b>	<b>\$ 13,540,512</b>	<b>\$ 13,053,614</b>	<b>\$ (804,853)</b>	<b>\$ (575,625)</b>
Investment Income	\$ 193,865	\$ 190,895			\$ 193,865	\$ 190,895
Unrealized loss on investments	(189,228)	(8,633)			(189,228)	(8,633)
Realized loss on investments	(34,751)	(12,682)			(34,751)	(12,682)
	<b>\$ 12,705,545</b>	<b>\$ 12,647,569</b>	<b>\$ 13,540,512</b>	<b>\$ 13,053,614</b>	<b>\$ (834,967)</b>	<b>\$ (406,045)</b>

# INDEPENDENT AUDITOR'S REPORT



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

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## Independent Auditor's Report

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To the Members of Holstein Association of Canada

### Opinion

We have audited the accompanying financial statements of Holstein Association of Canada (the Entity), which comprise the statement of financial position as at December 31, 2018, 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.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2018 and its results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

# INDEPENDENT AUDITOR'S REPORT



## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*BDO Canada LLP*

Chartered Professional Accountants, Licensed Public Accountants

Brantford, Ontario  
March 20, 2019



# STATEMENT OF FINANCIAL POSITION



As at December 31			2018		2017
	Operating Fund	Reserve Fund	Total		Total
<b>Assets</b>					
<b>Current assets</b>					
Cash (Note 2)	\$ 264,696	\$ -	\$ 264,696	\$	2,075
Accounts receivable (Note 4)	1,657,186	-	1,657,186		1,808,543
Other receivables	170,891	-	170,891		175,195
Inventory	19,473	-	19,473		28,565
Prepaid expenses	197,031	-	197,031		205,175
	2,309,277	-	2,309,277		2,219,553
<b>Restricted cash and investments (Note 3)</b>	-	4,332,196	4,332,196		5,133,887
<b>Capital assets (Note 5)</b>	2,882,702	-	2,882,702		2,669,772
	\$ 5,191,979	\$ 4,332,196	\$ 9,524,175	\$	10,023,212
<b>Liabilities and Fund Balances</b>					
<b>Current liabilities</b>					
Accounts payable and accrued liabilities (Note 6)	\$ 1,455,910	\$ -	\$ 1,455,910	\$	1,362,855
Current portion of long-term debt (Note 8)	77,753	-	77,753		-
Deferred revenue (Note 7)	72,219	-	72,219		74,146
	1,605,882	-	1,605,882		1,437,001
<b>Long-term debt (Note 8)</b>	167,049	-	167,049		-
	1,772,931	-	1,772,931		1,437,001
<b>Fund balances</b>					
Reserve	-	4,332,196	4,332,196		5,133,887
Operating	3,419,048	-	3,419,048		3,452,324
	3,419,048	4,332,196	7,751,244		8,586,211
	\$ 5,191,979	\$ 4,332,196	\$ 9,524,175	\$	10,023,212

The accompanying notes are integral part of these financial statements.

# STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES



For the year ended December 31		2018		2017
	Operating Fund	Reserve Fund	Total	Total
<b>Revenue</b>				
Income from operations	\$ 12,735,659	\$ -	\$ 12,735,659	\$ 12,477,989
Investment income	-	193,865	193,865	190,895
Unrealized loss on investments	-	(189,228)	(189,228)	(8,633)
Realized loss on investments	-	(34,751)	(34,751)	(12,682)
	12,735,659	(30,114)	12,705,545	12,647,569
<b>Expenses</b>	13,518,935	21,577	13,540,512	13,053,614
<b>Excess (deficiency) of revenues over expenses</b>	(783,276)	(51,691)	(834,967)	(406,045)
<b>Fund balance, beginning of year</b>	3,452,324	5,133,887	8,586,211	8,992,256
<b>Transfer (to) from other funds</b>	750,000	(750,000)	-	-
<b>Fund balance, end of year</b>	\$ 3,419,048	\$ 4,332,196	\$ 7,751,244	\$ 8,586,211

The accompanying notes are integral part of these financial statements.

# STATEMENT OF CASH FLOWS



For the year ended December 31	2018	2017
<b>Cash flows from (used in) operating activities</b>		
Excess of expenses over revenues	\$ (834,967)	\$ (406,045)
Items not affecting cash		
Amortization	408,419	328,893
Accrued interest	(23,683)	(25,180)
Loss on disposal of capital assets	23,756	25,905
Realized loss on sale of investments	34,751	12,682
Unrealized loss on investments	189,228	8,633
	(202,496)	(55,112)
<b>Changes in non cash working capital</b>		
Accounts receivable	151,357	(243,721)
Other receivables	4,305	(53,406)
Inventory	9,091	8,173
Prepaid expenses	8,144	(75,017)
Accounts payable and accrued liabilities	93,056	60,765
Deferred revenue	(1,927)	9,902
	61,530	(348,416)
<b>Cash flows from (used in) investing activities</b>		
Purchases of capital assets	(681,684)	(316,709)
Proceeds on disposal of capital assets	36,579	44,000
Proceeds on sale of investments	908,242	509,842
Purchase of investments	(200,000)	(300,000)
Change in restricted cash	(106,849)	(173,904)
	(43,712)	(236,771)
<b>Cash flows from (used in) financing activities</b>		
Repayment of long-term debt	(32,897)	-
Issuance of long-term debt	277,700	-
	244,803	-
<b>Increase (decrease) in cash during the year</b>	<b>262,621</b>	<b>(585,187)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>2,075</b>	<b>587,262</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 264,696</b>	<b>\$ 2,075</b>

The accompanying notes are integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS



December 31, 2018

## 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.

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 restricted to provide for future contingencies and to fund specific projects.

### **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 and dividends and is recorded when earned.

### **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

The Association is related to its provincial branches as the purpose of the Association and the branches are integrated so that they have common or complementary objectives. In addition, there are provisions in the Association's charter that prevent any changes in the charter of the branches without the Association's consent. As a result, the branches receive certain membership rights and privileges. The Association does not have the right to appoint the majority of the voting members of a branch's board of directors or to exercise control over financing and investing activities but may have the ability to influence parts of the branch's operations. The branches are non profit organizations, some of which are unincorporated and others that are incorporated without share capital under the laws of the province in which it resides.

Each member of the Association is charged an annual membership fee and a levy that is invoiced and collected by the Association and remitted to the provincial branches pursuant to the by-laws of the Association. The Association also executes certain administrative activities such as making payments on the branch's behalf which are subsequently reimbursed. At year end, \$94,508 (2017 - \$93,427) is included in accounts payable and accrued liabilities relating to these amounts. At year end, \$59,320 (2017 - \$105,822) is included in accounts receivable 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 used to fund projects and initiatives.

### 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 \$750,000 which bears interest at the bank's prime rate plus 0.30% per annum. At year end, this facility was not utilized. The Association has a credit card facility with US Bank Canada totaling approximately \$400,000. At year end approximately \$70,011 of the facility was utilized. The Association also has a credit

card facility with RBC totaling approximately \$450,000. At year end approximately \$nil of the facility was utilized. These facilities are secured by a general security agreement constituting a first ranking security interest in all personal property of the Association.

### 3. RESTRICTED CASH AND INVESTMENTS

#### Restricted Cash

High interest savings account

The high interest savings account earns interest at a rate of 1.25%.

	2018		2017
\$	400,116	\$	293,267

#### Short-term investments

Guaranteed investment certificates

Canadian provincial and public authorities

Canadian corporate bonds

	2018		2017
\$	304,090	\$	-
	-		509,932
	102,178		205,087
\$	406,268	\$	715,019

The Canadian corporate bonds earn interest at a rate of 4.83% (2017 - 4.1% - 5.10%) and the guaranteed investment certificates earn interest at a rate ranging between 2.436% - 2.90%.

#### Long-term investments

##### Guaranteed investment certificates

##### Bonds and Debentures

Canadian provincial and public authorities

Canadian corporate

##### Equities

Preferred shares

Common shares

	2018		2017
\$	508,668	\$	-
	1,675,630		1,702,050
	104,381		920,608
	2,288,679		2,622,658
	180,272		195,559
	1,056,861		1,307,384
\$	3,525,812	\$	4,125,601

#### Total Restricted Cash and Investments

##### Restricted Cash

##### Short-term investments

##### Long-term investments

	2018		2017
\$	400,116	\$	293,267
	406,268		715,019
	3,525,812		4,125,601
\$	4,332,196	\$	5,133,887

#### Guaranteed Investment Certificates

The guaranteed investment certificates have interest rates between 2.60% and 3.01%. These investments will mature within 2 to 5 years.

#### Bonds and Debentures

The Canadian provincial and public authorities bonds have interest rates between 2.90% - 4.70% (2017 - 2.90% - 4.70%). These investments will mature as follows: \$1,462,639 within 2 to 5 years and \$212,992 after 5 years.

The Canadian corporate bond has an interest rates of 4.70% (2017 - 2.43% - 4.83%). This investment will mature as follows within 2 to 5 years.

At year end, \$4,332,196 is restricted in relation to the reserve fund (Note 12).

## Preferred Shares

The preferred dividend yields range from 4.80% - 5.40% (2017 - 4.80% - 5.40%).

## 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.

## 4. ACCOUNTS RECEIVABLE

Accounts receivable are net of an impairment allowance of \$57,000 (2017 - \$14,640).

## 5. CAPITAL ASSETS

	2018		2017	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 328,851	\$ -	\$ 328,851	\$ -
Building	3,008,125	1,704,896	3,008,125	1,604,627
Building improvements	121,703	67,686	102,968	55,829
Fafard Sculpture	179,686	-	179,686	-
Office furniture and equipment	448,450	219,740	1,571,929	1,402,908
Automobiles	1,063,155	435,476	882,434	436,653
Data processing	312,070	151,540	4,554,525	4,458,729
	<b>\$ 5,462,040</b>	<b>\$ 2,579,338</b>	<b>\$ 10,628,518</b>	<b>\$ 7,958,746</b>
		<b>\$ 2,882,702</b>		<b>\$ 2,669,772</b>

During the year, fully amortized capital assets with a cost of \$5,661,531 was written off.

## 6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities are government remittances payable of \$41,704 (2017 - \$46,146).

## 7. DEFERRED REVENUE

The balance of \$72,219 (2017 - \$74,146) represent annual membership fees paid in advance by the Association's members. These amounts are recorded as a deferral as they are unearned at year end.

## 8. LONG-TERM DEBT

	2018	2017
Revolving term loan, repayable in monthly installments of \$4,022 including interest calculated at a rate of 4.6% per annum, maturing June 2021, secured by a general security agreement.	\$ 113,771	\$ -
Revolving term loan, repayable in monthly installments of \$891 including interest calculated at a rate of 4.6% per annum, maturing July 2022, secured by a general security agreement.	35,264	-
Revolving term loan, repayable in monthly installments of \$2,369 including interest calculated at a rate of 4.6% per annum, maturing August 2022, secured by a general security agreement.	95,767	-
	<b>244,802</b>	<b>-</b>
Current portion	<b>(77,753)</b>	<b>-</b>
Long-term portion of debt	<b>\$ 167,049</b>	<b>\$ -</b>

Principal repayment on long-term debt over the next four years are as follows:

2019	\$ 77,753
2020	81,406
2021	60,867
2022	24,776
	<hr/>
	\$ 244,802

The Association has revolving demand facilities with RBC totaling approximately \$135,000, \$45,000, and \$125,000. At year end approximately \$113,771, \$35,264, and \$95,767 of the respective facilities was utilized.

## 9. PENSION PLAN

The Association maintains a defined contribution pension plan for all employees whereby it matches employee contributions up to a specific percentage of the employee's earnings, subject to certain limits determined by the date the employee joined the plan. The pension expense for the year was \$154,470 (2017 - \$159,543).

## 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

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates. The Association manages the interest rate risk of its investments in guaranteed investment certificates and fixed income investments by using a ladder portfolio with varying terms to maturity.

### 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 \$356,000.

## 12. RESERVE FUND

The Association implemented a policy to establish a reserve fund to address for future contingencies and to fund specific projects. During the year, \$750,000 was transferred from the reserve fund to the operating fund to fund various projects.

## 13. COMPARATIVE FIGURES

Prior year comparative figures have been updated to conform with the current year presentation.