



HOLSTEIN CANADA

2017

ANNUAL REPORT



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Mission Statement

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

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HOLSTEIN CANADA'S 135TH ANNUAL GENERAL MEETING AGENDA

7:30 a.m. : Buffet breakfast

11:30 a.m.: Buffet Lunch in the Grande Place

5:30 p.m.: Please join us for a Reception in the Grande Place hall to celebrate our Master Breeders

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 the 2017 Annual General Meeting of Members
6. Address of the President
7. Chief Executive Officer's Report
8. 2017 Financial Report
9. Presentation of the 2018 Budget
10. Appointment of Audit Firm
11. Introduction of Industry Partners
12. Remarks from Industry Partners & International Guests
13. Presentation of Awards
 - a. Century of Holsteins
 - b. Certificates of Superior Achievement & Recognition
14. Proposed By-law Amendments
15. 2017 Member Resolutions
16. Classification Advisory Committee Update
17. Show & Judging Committee Update
18. Members' Input Session
19. Invitation to the 2019 National Convention and AGM in PEI
20. Unveiling of the 2017 Cow of the Year
21. Adjournment

GUEST SPEAKER: Jean-François "JF" Carrey (To follow immediately after Meeting)



BOARD OF DIRECTORS' REPORT

PRESIDENT'S REPORT

As I look back at the last 12 months, I see a year like no other in the last 25 years. Quota increases of over 10% in some regions have not been seen in a generation. Expansion was the buzzword, and the goal of most dairy producers across Canada was to find ways to produce more milk.

Canadian dairy producers responded to the market's increased demand for butterfat, as you always do; all while dealing with the constant internal and external pressures on our Supply Management system. Canadian dairy producers opted to "drive on" – because you know we have the most admired dairy system on the planet.

This positive attitude also carried through to Holstein Canada. In 2017, yet another new record for registrations was reached while other services, new and old, also did extremely well. While this is most encouraging, standing still is not an option for Holstein Canada.

Like our members, we strive to continuously do more to do better. To this end, our collaboration with Industry Partners is continuously evolving. We have deepened our link with a sister national dairy producer association, the Dairy Farmers of Canada (DFC), which continues to lobby for a strong dairy industry. Holstein Canada views the CDN-Valacta-CanWest partnership in a very positive light, and we wish our Industry Partners great success as they work towards their timeline.

We look forward to continuing a strong collaboration with these Partners and the other Canadian Breed Associations on various programs, including efficient data collection and traceability.

We thank the AI Partners who continue to see the value of breed improvement tools as we all strive to meet the new challenges of our shared client base.

Holstein Canada members constantly amazed me as I travelled across this great country, showing that the combination of great management with strong genetics/genomics have developed herds that can reach averages close to 50 kg/day/cow. This was simply not imaginable 10 years ago.

Increased use of technology has played a great role in the rapid evolution of Canadian dairy herds. Holstein Canada has also jumped on the technology bandwagon in recent years and will strive to keep up with the speed of change in a more efficient manner.

My Closest Collaborators

Keeping up the pace is a group effort. Diversity in backgrounds and skill sets, while sharing the same passion, is a key to success. The 12 National Directors cover all aspects of the industry: in herd size, breeding philosophy, equipment and technology – along with covering all corners of the country. Many of my fellow Directors have spent, or are spending, time on other industry Boards, which enhances connections with members and Industry Partners.

Our five Board meetings and various calls kept the Board very much in touch with the industry and events. The work by our knowledgeable Committee members, our Branches, and a very dedicated Team, completes the circle of people who can all feel proud of our success in 2017.

Spending a year as your President, having travelled to all nine branches to visit in barns, meetings or events, has shown me that passion for the Holstein cow is at the core of this industry, whether from a new entrant or a breeder on a century farm, a herd owner managing a significant labour force, or an exhibitor on the showgrounds.

As consumer demands evolve, I know Holstein members will do the same, and by doing so, we will remain one of the world leaders in the Holstein realm.

Allow me to thank those I leave at home to follow my passion – never once saying, "It's time to stay home."

Respectfully submitted,



A handwritten signature in black ink that reads "Orville Schmidt". The signature is fluid and cursive, written in a professional style.

Orville Schmidt,
President

CHIEF EXECUTIVE OFFICER'S REPORT

It is a true privilege to be CEO of an association with such strong roots. As Canadians proudly celebrated our 150th anniversary in 2017, it was quite humbling to remember Holstein Canada was founded just 17 years after our country was born. We have aged well, as producers of all ages continue to proudly display our beloved logo on their hearts, heads and countless places on the farm.

It is very motivating to know, over 80% of Canadian Holstein producers see the value of registration, which contributed to a new record being set in 2017 of just under 300,000 registrations. It is doubly motivating to know many of these producers use all of our core services. Yes, this success is a reflection of the healthy conditions the Canadian dairy industry is experiencing. It is also a result of dairy producers from coast to coast seeing Holstein Canada services as essential herd management tools.

Remaining relevant to this 80+% of producer base – and reaching out to the remaining 20% – is what challenges the Holstein Canada team.

Technology is more than ever a cornerstone of our industry. In 2017, Holstein Canada built on the Herdbook software introduced in 2016 to allow members easier access to their information in user-friendly format via the web. This will continue in 2018 and beyond. Holstein Canada has made great technological strides, though having to prioritize development has not allowed us to keep pace on all projects. The re-write of new Classification software is underway and is the technological priority for 2018 and 2019.

An equally important industry cornerstone is our long history of collaboration. In 2017, we completed the first full calendar year of being the service provider for the Animal Care pillar of proAction® – and we also worked closely with Dairy Farmers of Canada (DFC) on the Traceability pillar. We continued our work with our genetic Partners, our sister breeds and provincial Branches, including welcoming Ontario Holsteins to our Brantford office. We are simply stronger when we are together, all while respecting that we each have our own business goals.

As herds get larger and our breed continues to reach incredible heights, we commit to continually evolving our services for your benefit. Technology is a big part of this evolution as it supports each and every one of you in doing what you do, even better. However, it is all about the people!

Our industry is blessed with people who work with great passion – we see this in every Classification visit to your farms and every Customer Service phone call. I can assure you

this love for the breed and for Holstein Canada's role in our industry is reflected in every member of the very dedicated Holstein Canada team.

Yes, 2017 was a great year. Rest assured with a Board such as the one you have elected, there is no resting on our laurels. I have such respect for our Directors under the leadership of President Schmidt, who want Holstein Canada to do more, to do better and to remember to put people first as we travel that road.

Respectfully submitted,



A handwritten signature in black ink, which appears to read "Ann Louise Carson". The signature is fluid and cursive.

Ann Louise Carson,
Chief Executive Officer

BOARD OF DIRECTORS



ORVILLE SCHMIDT
President
AB



HARRY VAN DER LINDEN
Vice-President
NS



GERALD SCHIPPER
2nd Vice-President
ON



NANCY BEERWORT
ON



RON BOERCHERS
MB/SK



GILLES CÔTÉ
QC



BEN CUTHBERT
BC



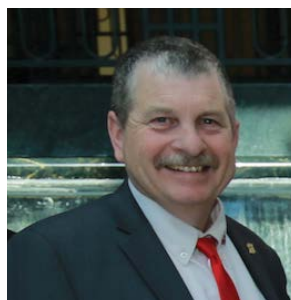
ISABELLE DUBOIS
QC



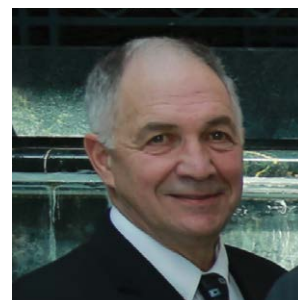
ELYSE GENDRON
QC



ANGUS MACKINNON
QC



DOUG PEART
ON



DENNIS WERRY
ON

BOARD COMMITTEES



Audit, Risk Management and Finance | Chair: Gerald Schipper (ON)
Ron Boerchers (MB), Elyse Gendron (QC), Doug Peart (ON), Ralph Martin (ON)



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



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



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



Cow of the Year | Chair: Elyse Gendron (QC)
Tom Hawman (ON), Jocelyn Nault (QC), Jeff Donohoe (MB), Matt Clarke (NB)



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



Governance | Chair: Doug Peart (ON)
Angus MacKinnon (QC), Orville Schmidt (AB), Gerald Schipper (ON), Harry Van der Linden (NS)



National / Branch Joint Meeting Representatives | Elyse Gendron (QC)
Harry Van der Linden (NS), Orville Schmidt (AB), Gerald Schipper (ON), Dennis Werry (ON), along with representatives from each branch



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



Young Leader Advisory | Chair: Stephanie Warner-Murphy (ON)
Board Representatives: Angus MacKinnon (QC) and Isabelle Dubois (QC); Ryan Wert (ON), Laurence Boulet (QC), Kenton Lindenbach (SK/MB), Michael Barnum (BC/AB), Olivier Roy-Tanguay (QC), Sarah McDonnell (NS)

BUSINESS ACTIVITY

CLASSIFICATION ACTIVITY

Activity	2017	2016	2015	2014	2013	2012	2011	2010
Herd Visits	14,713	15,310	16,111	17,207	17,005	16,164	17,788	18,583
Holstein Animals	245,940	241,469	244,236	244,919	248,417	236,569	235,097	239,651
Other Dairy Breed Animals	17,117	16,619	17,037	17,979	18,161	16,273	16,097	16,250
Total Animals	263,057	258,088	261,273	262,898	266,578	252,842	251,194	255,901

STATEMENT OF OPERATIONS (COMPARATIVE BY PROVINCE)

Province	Memberships		Registrations		Transfers		Genomic Tests	
	2017	2016	2017	2016	2017	2016	2017	2016
British Columbia	386	393	22,564	22,304	1,754	1,437	1,515	1,511
Alberta	441	454	24,877	24,632	2,399	2,040	713	933
Saskatchewan	122	127	6,781	6,725	1,222	848	638	460
Manitoba	236	245	11,781	11,012	1,271	735	530	564
Ontario	3,766	3,864	109,832	105,279	12,805	12,566	4,050	4,527
Quebec	4,523	4,744	102,365	101,308	17,549	15,973	9,241	10,250
New Brunswick	177	182	5,299	4,756	439	351	620	1,215
Prince Edward Island	173	173	4,586	4,192	1,183	938	228	335
Nova Scotia	186	197	5,089	4,816	401	928	373	330
Newfoundland	16	15	1,074	981	85	72	324	389
International	2	1	1	0	389	606	1	0
Totals:	10,028	10,395	294,249	286,005	39,497	36,494	18,233	20,514

MEMBER AWARDS & RECOGNITION

CENTURY OF HOLSTEINS

For 100 Years of Continuous Holstein Canada Membership

1918 - 2017	DONAVON	Descendants of I. A. Risebrough	Mt. Albert, ON
1917 - 2017	ISLAND BLEND	Descendants of James G. MacLean	Miscouche, PEI
1904 - 2017	MAPLE GROVE	Descendants of J. W. Johnson	Parkhill, ON

CERTIFICATE OF RECOGNITION

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

Jean Touchette Sainte-Françoise-de-Lotbinière, QC

CERTIFICATE OF SUPERIOR ACCOMPLISHMENT

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

Doug Blair Cobble Hill, BC

MASTER BREEDER AWARDS

Recognizing breeding excellence

1 st	ALLEY	Alley Holsteins	Dalmeny, SK
1 st	CAMPBOL	Ferme L. Campbell & Fils Inc	Ste. Sabine, QC
3 rd	CAVANALECK	Cavanaleck Farms Ltd	Belmont, ON
1 st	DARWELL	Les & Darlene Sharpe	Orton, ON
1 st	DOANLEA	Donald I. Doan	Norwich, ON
2 nd	FLORBIL	Florbil Farms Ltd	Mildmay, ON
2 nd	HYLJON	John E. Hylkema	Hague, SK
1 st	KRUL	Krul Holsteins Ltd	Arthur, ON
1 st	LESPEREE	Ferme L'espérée Enr	St. Henri de Lévis, QC
1 st	LOYALYN	Rob & Alice Bumstead	Owen Sound, ON
1 st	MABEL	Ferme Maguy Normandin Inc	Normandin, QC
1 st	MACTALLA	Allan & Coleen Macquarrie	Bonshaw, PEI
1 st	OOSTVIEW	Oostview Farm Ltd	Lakeside, ON
1 st	OUTAOUAIS	Ferme Outaouais Enrg	Plaisance, QC
2 nd	PENNVIE	Pennview Farm	Blumenort, MB
3 rd	PETITCLERC	Ferme Jean-Paul Petitclerc & Fils Inc	St. Basile, QC
1 st	RICKEEN	Rick Shantz	Wallenstein, ON
1 st	SERIC	Ferme Séric Inc	Napierville, QC
2 nd	SPENCROFT	Roger Spence	Elmvale, ON
1 st	ZIMMER	Duane G. Zimmer	Daysland, AB

SCHOLARSHIP AWARDS

Supporting youth education

Rachel Boonstopell	Lakeland College	MB
Alex Dolson	Guelph University	ON
Angela Pfaeffli	Guelph University	ON
Martha MacKinnon	McGill University	QC
Raphaël Chabot	Laval University	QC
Spencer MacNeill	Dalhousie University	PEI

BOVINE MEDICINE AWARDS

Supporting Canadian veterinary education

Dr. Christina Hawkins	University of Prince Edward Island: Atlantic Veterinary College
Dr. Samuel de Serre	University of Montreal: Faculty of Veterinary Medicine
Dr. Kandice Runyon	University of Guelph: Ontario Veterinary College
Dr. Danielle Gutter	University of Saskatchewan: Western College of Veterinary Medicine
Dr. Trina Hancock	University of Calgary: Faculty of Veterinary Medicine

2017 NON-BINDING RESOLUTIONS: ACTION UPDATE

INDUSTRY VISION

1. Submitted by Branch / Club: Manitoba

- Whereas, it is essential for the continued development and improvement of our breed that we continue to make reliable health, production and confirmation records to verify predicted genomic information;
- Whereas, the cost of producing this information is being borne by a rapidly shrinking number of producers;

Be it resolved that Holstein Canada take the lead in investigating the possibility of providing milk recording, classification and registration at no cost with all semen sales being levied to cover the cost with the aim of spreading the financial burden across the whole industry and encouraging as wide as possible data collection sources, mindful not to create a new layer of bureaucracy.

Action Update: Holstein Canada acknowledges the spirit and vision of this resolution, and it is noted for future discussions with our Industry Partners.

CLASSIFICATION

2. Submitted by Branch / Club: Manitoba

- Whereas, Holstein Canada conducts a mid-round in between all regular rounds at an additional cost to the breeder using the service;

Be it resolved that Holstein Canada discontinue the mid-round and make every round a regular round at the same cost to every breeder for the visit.

Action Update: Following analysis and review of this resolution with the Board of Directors, the fees for both regular and mid-round classification visits have been set at \$125, effective January 1, 2018. Standardizing the herd visit fees makes the mid-round option more accessible to all clients.

ANIMAL IMPORT FROM USA

3. Submitted by Branch / Club: Prince Edward Island

- Whereas, an increasing number of USA cows are entering the Canadian market;
- Whereas, traceability and Herdbook integrity are of utmost importance for all Holstein Canada members;
- Whereas, all USA cows currently have to be transferred through Holstein USA;
- Whereas, this is a cumbersome process for Holstein Canada members that results in a delay of proper identification and tagging;

Be it resolved that Holstein Canada take the lead to facilitate all transfers of USA Holsteins for its members.

Action Update: Holstein Canada investigated options to simplify the transfer process for Canadian producers when animals are purchased from USA. Being a service provider to Holstein USA on behalf of Canadian producers is not an option for us at this time, however, Holstein Canada will continue to offer assistance to Canadian buyers, in both official languages, as they complete transfers with Holstein USA. For more information on how to submit transfers to Holstein USA and how we can assist, refer to the article titled "Transfer of Animals Imported from USA" in the 2018 March/April infoHolstein.

BREED IMPROVEMENT

4. Submitted by Branch / Club: Québec

- Whereas, crampiness is increasingly prevalent in the Holstein breed;
- Whereas, crampiness seems to be passed on from generation to generation;
- Whereas, animal welfare is our key concern and crampiness symptoms can lead to serious injuries;

- Whereas, crampiness results in heavy economic losses caused by early culling of severely affected animals;
- Whereas, there is little data available in order to identify the sires that may pass on crampiness;
- Whereas, Holstein Canada classifiers compile data on the crampy cows they identify;
- Whereas, there are available indexes that are not associated with the genome;
- Whereas, Steven Larmer's study from the University of Guelph concluded that crampiness is multigenic and that genomics is therefore not sufficiently reliable to identify carrier sires;

Be it resolved that Holstein Canada and the Canadian Dairy Network develop a genetic trait for proven sires with observation data gathered by Holstein Canada. The aim being to identify sires with the best resistance to crampiness and by doing so, to start tackling this serious problem until new research findings on crampiness be sufficiently reliable to help us.

Action Update: Background data currently exists as a defect trait on bulls: CDN displays this defective characteristic as "Crampy" on its website. The majority of cattle shown for classification are 2 year olds, while crampiness tends to present itself more frequently in older cows – as such, this trait may not be observed or these cows may not be presented to classifiers. Further discussion is needed with respect to collecting more accurate data and data for older cows.

JUDGES

5. Submitted by Branch / Club: Ontario

- Whereas Ontario and Québec have provincial Judges committees and judging programs in place to enhance the training of Judges;
- Whereas we need to develop, promote and utilize our Canadian Judges domestically and internationally;
- Whereas a national committee could advise on: national Judges listings, judging and showmanship manuals / videos, content for National judging schools, International judging assignments and promoting Judges at domestic and international levels;
- Whereas, the importance of continuity and communication between the Branch and Holstein Canada is paramount for the success for any program;

Be it resolved that a National Judges Committee be formed similar to the following:

The National Judges Committee would comprise 8 committee members; 2 members from Ontario Judges Committee, 2 members from Québec Judges Committee, 1 judge representing Western Canada judges, 1 judge representing Maritimes judges, 1 Holstein Canada director and 1 Holstein Canada staff member (non-voting). The committee would meet annually and additional meetings could be held by conference call. Committee member judges would serve a minimum 3 year term provided they are an active judge and are a committee member of their provincial branch judges committee, if applicable. The committee would annually elect a chairman. The committee would report annually to the Holstein Canada Board of Directors.

Action Update: At the time of writing this update/report, this resolution is pending action; it has been referred to the Holstein Canada Show and Judging Committee for review and discussion.

VOTING PROCEDURES

6. Submitted by Branch / Club: Ontario

- Whereas Holstein Canada was founded as a member association that values accuracy and transparency;
- Whereas Holstein Canada conducts annual membership voting concerning Director elections, National Judge selections for RAWF, and annual award selection for Cow of the Year;

Be it resolved that Holstein Canada's Board of Directors implement a secure system that ensures proper identification of members on ballots, transparency and accuracy of voting procedures involving all Holstein Canada membership votes.

Action Update: Voting procedures and processes were reviewed at both the Holstein Canada Awards and Governance Committees to ensure the process is secure, reliable, and has integrity. The Cow of the Year (COTY) voting will remain the same. Ballots for National Directors will be sent to the office of the Holstein Canada auditor. Options are currently being analyzed for Royal judge voting with a goal of being implemented for the selection of the 2019 Royal Judges.

COW SIGNS

7. Submitted by Branch / Club: Ontario

- Whereas "Cow Signs" are an important part of promotion in barns and at shows;
- Whereas the required information is on the web on a cow's animal information sheet;

Be it resolved that Holstein Canada develop a printable "Cow Sign" section on the web page to allow access to instant, up to date sign for easy use on farm and at the show.

Action Update: Printable "Cow Signs" will be considered after analysis for feasibility according to priority, resources (staff/time/cost), and development projects.

SHOWS

8. Submitted by: On the floor at the AGM

- Whereas the number of shows is declining;
- Whereas the the number of opportunities for judges is declining;
- Whereas the number of animals being exhibited at the remainder of the shows is increasing;
- Whereas larger shows are a great opportunity for associates to aid in placings;

Be it resolved that Holstein Canada recommend that any show with more than 150 entries have an associate judge.

Action Update: This resolution is pending action at this time; it has been referred to the Holstein Canada Show and Judging Committee for review and discussion.



FINANCIAL OVERVIEW



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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, 2017, 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, 2017 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 16, 2018

FINANCIAL REPORT 2017

Vince Bosquet, Interim Manager, Finance & Business Technology Solutions

OPERATING FUND

Continuing to build on positive results from previous years, the Operating Fund posted a surplus of \$510,768 in 2017. This was well ahead of the 2016 surplus of \$13,666 and ahead of budget. Increased revenues due to a strong Canadian dairy industry, combined with effective cost control contributed to these positive results.

Total revenues for the year were \$12,476,747, exceeding budget by 6%. Core service revenue was ahead for both registration (4%) and classification (5%). Coming in under budget were revenues from membership fees (-9%), herd visit fees (-5%) and genomic testing (-9%).

Total expenses were \$11,965,979, coming in right on budget. Costs associated with salaries and benefits continue to be the largest single expense category for the organization, representing 45% of all expenditures. Rigorous focus has resulted in labour related expenses coming in slightly under budget.

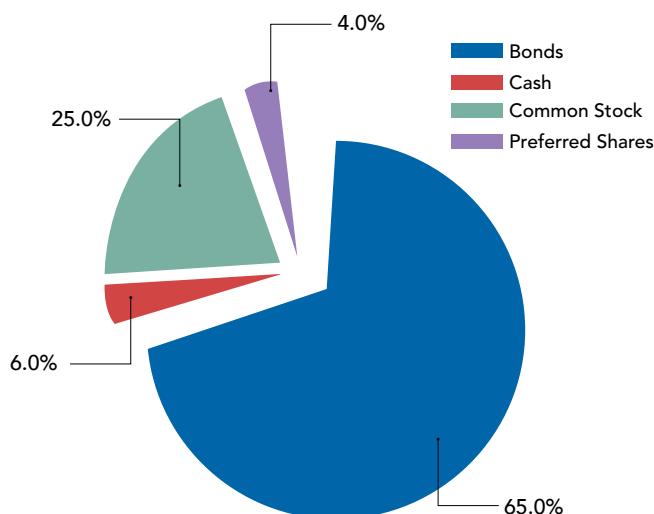
DEVELOPMENT FUND

Investment for this year totaled \$1,085,692, 13% under budget. Due to the new Herdbook software being launched in early 2016, 2017 investment was a planned 23% lower than the prior year. For 2017, software initiatives took up the bulk of the investment effort. These included continued development of the Herdbook application, establishing a structure to carry out proAction® cattle assessments, enhancements to electronic document delivery as well as expansion of online services for members.

RESERVE FUND

The Reserve Fund serves as the primary source of funding for the Association's Development Fund projects. Over the past few years, significant software developments have been supported through this fund. The fund does remain in a very strong position with a balance of \$5,133,887. Investments in high grade securities provided for a conservative, but respectable annual return of just over 3%.

RESERVED INVESTMENTS - \$5.1 MILLION



2018 OUTLOOK

Expectations for the 2018 financial year call for a 4% increase in revenues and stable expenses. To secure long term success in a rapidly changing industry, there will be further investment in software projects. This includes the continued development of the Herdbook platform and re-writing the Classification software. These initiatives focus on core services and have the potential for cost reduction, increased revenues and value added benefits for our members for years to come.

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.

SCHEDULE OF REVENUE AND EXPENSES

Department	Revenue		Expenses		Excess / (Expense)	
	2017	2016	2017	2016	2017	2016
Herdbook & Genotyping	\$5,131,538	\$5,008,867	\$2,218,112	\$2,299,769		
Classification	4,829,300	4,789,959	4,005,269	3,889,281		
Strategic Communications	326,781	254,131	689,298	844,332	Total Revenue	
NLID	2,132,217	1,587,424	2,005,275	1,492,506	less	
Executive & Administration	0	0	1,612,735	1,802,599	Total Expenses	
Finance	56,911	64,278	908,634	824,071	= Excess Revenue /	
Business & Technology Solutions	0	0	526,656	538,435	(Expense)	
	\$12,476,747	\$11,704,659	\$11,965,979	\$11,690,993	\$510,768	\$ 13,666

STATEMENT OF FINANCIAL POSITION

As at December 31

				2017	2016
	Operating Fund	Reserve Fund	Development Fund	Total	Total
Assets					
Current assets					
Cash and bank (Note 2)	\$ 2,075	\$ 293,267	\$ -	\$ 295,342	\$ 706,625
Temporary investments (Note 3)	-	715,019	-	715,019	412,516
Accounts receivable (Note 4)	1,808,543	-	-	1,808,543	1,564,822
Other receivables	175,195	-	-	175,195	121,789
Inventory	28,565	-	-	28,565	36,738
Prepaid expenses	205,175	-	-	205,175	130,158
	2,219,553	1,008,286	-	3,227,839	2,972,648
Investments (Note 5)	-	4,125,601	-	4,125,601	4,634,081
Capital assets (Note 6)	2,669,772	-	-	2,669,772	2,751,861
	\$ 4,889,325	\$ 5,133,887	\$ -	\$ 10,023,212	\$ 10,358,590
Liabilities and Fund Balances					
Current liabilities					
Accounts payable and accrued liabilities (Note 7)	\$ 1,362,855	\$ -	\$ -	\$ 1,362,855	\$ 1,302,090
Deferred revenue (Note 8)	74,146	-	-	74,146	64,244
	1,437,001	-	-	1,437,001	1,366,334
Fund balances					
Internally restricted	-	5,133,887	-	5,133,887	5,165,960
Unrestricted	3,452,324	-	-	3,452,324	3,826,296
	3,452,324	5,133,887	-	8,586,211	8,992,256
	\$ 4,889,325	\$ 5,133,887	\$ -	\$ 10,023,212	\$ 10,358,590

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

For the year ended December 31

				2017	2016
	Operating Fund	Internally Restricted Reserve Fund	Internally Restricted Development Fund	Total	Total
Revenue					
Income from operations	\$ 12,476,046	\$ -	\$ 1,943	\$ 12,477,989	\$ 11,699,557
Investment income	701	190,194	-	190,895	240,766
Unrealized gain (loss) on investments	-	(8,633)	-	(8,633)	81,472
Realized loss on investments	-	(12,682)	-	(12,682)	(26,193)
	12,476,747	168,879	1,943	12,647,569	11,995,602
Expenses	11,965,979	-	1,087,635	13,053,614	13,110,710
Excess (deficiency) of revenue over expenses	510,768	168,879	(1,085,692)	(406,045)	(1,115,108)
Fund balance, beginning of year	3,826,296	5,165,960	-	8,992,256	10,107,364
Transfer (to) from other funds	(884,740)	(200,952)	1,085,692	-	-
Fund balance, end of year	\$ 3,452,324	\$ 5,133,887	\$ -	\$ 8,586,211	\$ 8,992,256

STATEMENT OF CASH FLOWS

For the year ended December 31

	2017	2016
Cash flows from (used in) operating activities		
Excess of expenses over revenue	\$ (406,045)	\$ (1,115,108)
Items not affecting cash		
Amortization	328,893	306,663
Accrued interest	(25,180)	(27,916)
Loss on disposal of capital assets	25,905	5,756
Realized loss on sale of investments	12,682	26,193
Unrealized (gain)/loss on investments	8,633	(81,472)
	(55,112)	(885,884)
Changes in non-cash working capital		
Accounts receivable	(243,721)	(233,833)
Other receivables	(53,406)	107,167
Inventory	8,173	(3,795)
Prepaid expenses	(75,017)	71,331
Accounts payable and accrued liabilities	60,765	67,632
Deferred revenue	9,902	12,165
	(348,416)	(865,217)
Cash flows from (used in) investing activities		
Purchases of capital assets	(316,709)	(264,216)
Proceeds on disposal of capital assets	44,000	15,500
Proceeds on sale of investments	509,842	1,453,903
Purchase of investments	(300,000)	-
	(62,867)	1,205,187
Increase (decrease) in cash during the year	(411,283)	339,970
Cash and cash equivalents, beginning of year	706,625	366,655
Cash and cash equivalents, end of year	\$ 295,342	\$ 706,625
Cash consists of:		
Cash in bank	\$ 2,075	\$ 587,262
Cash equivalents	293,267	119,363
	\$ 295,342	\$ 706,625

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

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 deferral 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 ratably 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

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 \$93,427 (2016 - \$102,660) 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 totalling \$500,000 which bears interest at the bank's prime rate plus 0.3% per annum. At year end, this facility was not utilized. The Association also has a credit card facility with US bank Canada totalling approximately \$400,000. At year end approximately \$94,000 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. TEMPORARY INVESTMENTS

	2017	2016
Canadian provincial and public authorities - reserve fund	509,932	412,516
Canadian corporate bonds - reserve fund	205,087	-
	\$ 715,019	\$ 412,516

The Canadian provincial and public authorities bonds have an interest rate of 4.1% - 5.10% (2016 - 2.25% - 6.00%).

4. ACCOUNTS RECEIVABLE

Accounts receivable are net of an impairment allowance of \$14,640 (2016 - \$16,988).

5. INVESTMENTS

	2017	2016
Bonds and Debentures		
Canadian provincial and public authorities - reserve fund	\$ 1,702,050	\$ 2,269,901
Canadian corporate	920,608	841,581
	2,622,658	3,111,482
Equities		
Preferred shares	195,559	290,681
Common shares	1,307,384	1,231,918
	\$ 4,125,601	\$ 4,634,081

Bonds and Debentures

The Canadian provincial and public authorities bonds have interest rates between 2.90% - 4.70% (2016 - 2.90% - 4.70%). These investments will mature as follows: \$1,176,853 within 2 to 5 years and \$525,197 after 5 years.

The Canadian corporate bonds have interest rates between 2.43% - 4.83% (2016 - 2.60% - 4.83%). These investments will mature as follows: \$820,484 within 2 to 5 years and \$100,123 after 5 years.

Preferred Shares

The preferred dividend yields range from 4.80% - 5.40% (2016 - 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

		2017		2016
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 328,851	\$ -	\$ 328,851	\$ -
Building	3,008,125	1,604,627	3,008,125	1,504,355
Building improvements	102,968	55,829	102,968	45,532
Fafard Sculpture	179,686	-	179,686	-
Office furniture and equipment	1,571,929	1,402,908	1,508,816	1,345,716
Automobiles	882,434	436,653	944,662	475,903
Data processing	4,554,525	4,458,729	4,451,076	4,400,817
	\$ 10,628,518	\$ 7,958,746	\$10,524,184	\$ 7,772,323
		\$ 2,669,772		\$ 2,751,861

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities are government remittances payable of \$46,146 (2016 - \$49,482).

8. DEFERRED REVENUE

The balance of \$74,146 (2016 - \$64,244) 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 \$159,543 (2016 - \$144,164).

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.