

Holstein Canada

2020 Annual Report



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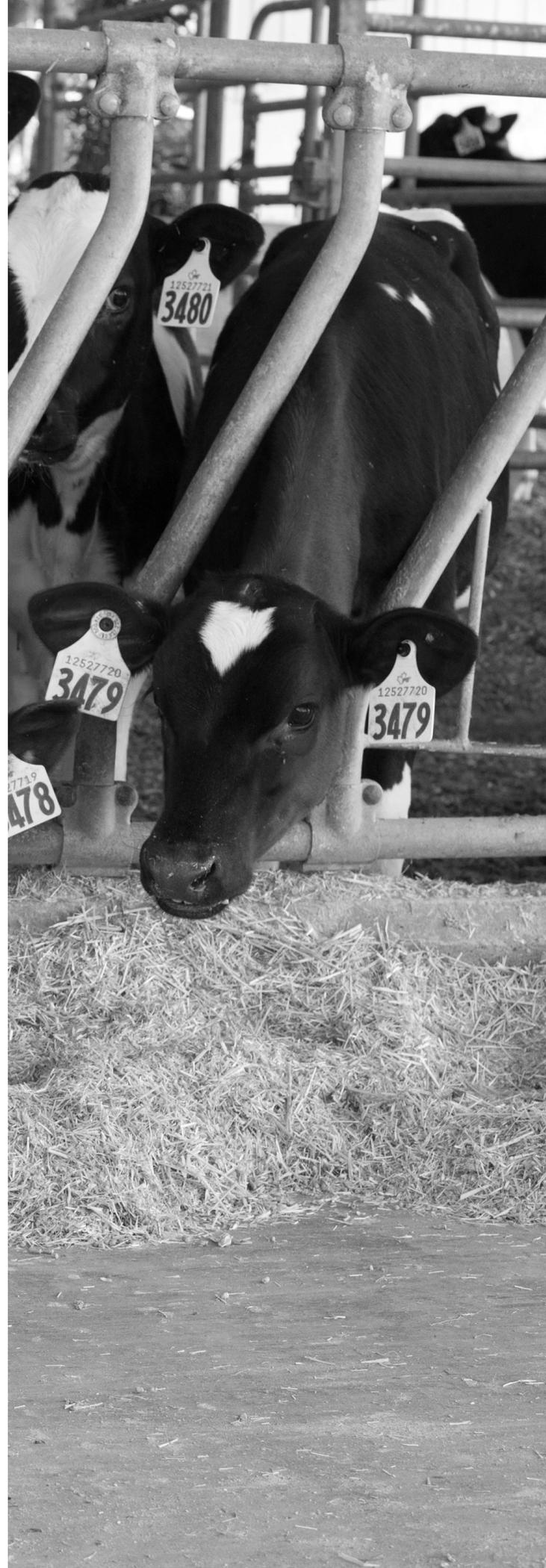
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# 2021 ANNUAL GENERAL MEETING AGENDA

1. Welcome and National Anthem
2. Call to Order
3. Moment of Silence in Memory of Departed Members of the Holstein Canada Family
4. Approval of the Agenda
5. Introduction of the Board of Directors
6. Address of the President
7. Chief Executive Officer's Report
8. Minutes of 2019 Annual General Meeting of Members
9. 2020 Financial Report
10. Presentation of the 2021 Budget
11. Appointment of Audit Firm
12. Century of Holsteins
13. 2021 Member Resolutions
14. Intro to Committee Reports
  - a. Classification Advisory
  - b. Show and Judging
  - c. Breed Advisory
  - d. Data and Technology
  - e. Young Leader Advisory
15. Lactanet Message
16. Members' Input Session
17. Unveiling of Cow of the Year
18. Invitation to the 2022 Convention in Saskatchewan
19. Adjournment





## PRESIDENT'S MESSAGE



As we look back at another year for Holstein Canada, it is safe to summarize 2020 as a historical year like we have never seen before. We have gone full circle from a ground-breaking virtual AGM in April 2020 to using all the new skills we've learned to host our second virtual AGM in a much more robust way.

Vincent Landry transitioned in as the new CEO in May 2020. Definitely an interesting time to join Holstein Canada when you can't meet anyone and the organization is adapting to the health regulations of a global pandemic. Thanks to COVID restrictions, the Board has not yet experienced a full in-person meeting with Vincent. In fact, the Board has only had virtual meetings this entire past year.

Unbeknownst to us when we penned our updated vision "A Healthy Canadian Dairy Industry for All" with the well-being of our livestock in mind, that it would quickly come to include the health of our staff and members as well. All decisions are made using our Vision and Mission as the guiding principles to create our ideal future.

We have missed our direct connection with our members because of all the cancelled events; such as: family social nights, picnics, education days, meetings and shows. Our goal was to keep you informed. We used the communication vehicles we have, for instance the HC website and InfoHolstein but also increased our social media presence and made information update videos as regulations constantly changed.

I want to recognize Vincent and our entire staff for their dedication, being very professional in navigating through different circumstances and being incredibly accommodating when asked to work from home. Everyone has in some way or another been impacted by this pandemic. We want to recognize the front-line workers who witnessed the treatment and care of patients first-hand. As an agricultural community we have had the opportunity to participate in rallies that showed our appreciation to our medical professionals.

Despite it being such a different year, we have a lot to be thankful for. We didn't want to make light of our journey but challenged each other to remain lighthearted and not become over-burdened. In that perspective, I want to thank the Board for their positive support and dedication. The technical support we have received to run our Board meetings was tremendous and helped us learn new skills imperative for meeting in a new way.

For the future, we hope to reconnect with you personally but also recognize that with the advantage of technology we are able to reach more of you and connect more frequently which we will continue to do.

Thank you for allowing me to serve on the Board. Keeping our services relevant and cost-effective will remain a challenge as we stand beside you, our members, in genetically moving your business forward. But, as long as we do it together we will always have a healthy dairy industry!

Thank you,

Gerald Schipper  
President of the Board



## CEO'S MESSAGE



2020 was a year like no other for Holstein Canada. It was a year of innovation and resilience as we faced an unparalleled COVID-19 pandemic. The world was brought to a halt and a new way of thinking, learning, and living was forced upon us.

Despite the challenges we faced, we didn't let the pandemic define us. Our vision to maintain a **Healthy Canadian Dairy Industry for All** remained critical. Within days of the various government stay-at-home orders being announced, Holstein Canada quickly shifted to a remote working environment, providing our team with full access to all required communication tools. The transition was seamless and we were successful in providing the same trust-worthy customer support that our members have come to appreciate. And, we completed the transition to a remote workforce without ever missing a day!

In a collective effort to preserve the food chain, our field resource services were withdrawn while the industry worked to establish pre-requisites. Once parameters were in place, and we were recognized as essential workers, our teams quickly

and respectfully returned to all Canadian farms. Our field teams continued to deliver classification and animal welfare assessment services. They did face some challenges - schedule changes, accessibility to amenities, and delays. Despite everything, we did it!

This would not have been possible without the unconditional support of ALL our employees and members. Thank you!

Throughout this report you'll learn how an entire team rallied together to ensure we could maintain Holstein Canada's mission of **delivering progressive services and programs to support dairy herd management.**

### Producer Engagement

Since last year's annual meeting, we have increased our efforts to adapt our activities to a virtual platform. Initiatives such as the virtual AGM, the unveiling of the Master Breeders, and the numerous webinars conducted, have demonstrated that it is possible to include more members in our events. Rather than only being able to offer events to individuals who attended a venue, the pandemic allowed us to democratize them. The reach we achieved was eye-opening. Moving forward, we will continue to offer virtual options so we are able to reach as many of our members as possible, regardless of language or geographical location.

### Youth Engagement

A large emphasis on youth has been identified in our current strategic plan. Several actions have been completed to date. In addition to the Holstein Canada Young Leader Advisory Committee, all Holstein Canada committees now include a member of the next generation. The Junior Member Program has been completely revamped to make it more accessible. We are also continuing our actions in various educational institutions across the country. Several initiatives; such as the Youth Conference, have been moved in order to accommodate an in-person event. Some of the objectives simply can't be achieved virtually.

### Growth & Value

2020 was a difficult year for business development. The definition of "essential services" complicated the recruitment work being done by our field and branch resources. This is the first year in a long time that we have not been able to recruit more members than we lost. This will have a significant impact on our business. Several strategies will be put into place in 2021 to counteract these effects.



### On-Farm Service Excellence

We have four pilot projects related to classification services that are currently underway. These projects will allow us to draw conclusions on the different ways of delivering our services on farms. Our goal is to offer services adapted to the present and future needs of our members. Several consultation meetings have already taken place with more to come. We would like to involve members and employees every step of the way. Our preliminary analysis work allows us to envision many advantages for members, employees and the organization.

### Value-Added Technology

With great pride, we successfully launched the new CONNEXION application. This application is the cornerstone of our on-farm service approach. All of our services grouped in one application simplifies the on-site work for our resources when they visit your farm. For members and breeders of all breeds, access to new interactive reports will allow more in-depth analysis. The deployment of this project during a pandemic required commitment from the entire team. We will evolve with this new application and our goal is for continued progression.

### Business Connections

We have addressed many industry issues over the past year and worked with various industry partners to move each topic forward. Soon we will be able to present our first data policy supported by a specialized legal team.

Our collaboration with the breeds, and our shared commitment to speak with one voice in the Industry Summit exercise, has brought us much closer. We are planning several joint actions so we can continue to build together.

We continue to perform animal assessments as part of the DFC ProAction Animal Welfare pillar.

Our regular interactions with Lactanet have allowed us to move forward on many issues. Together we have been working on plans to facilitate production and the sharing of breeding data. Thanks to the owners of Semex for their prompt support in this matter.

In the near future, the plan for the approach on non-publishable data will be shared, allowing us to understand next steps and look forward to the future relating to production data.

Thank You,

Vincent Landry  
Chief Executive Officer





## BOARD OF DIRECTORS

Gerald Schipper (President), ON

Nancy Beerwort (Vice-President), ON

Ben Cuthbert (2<sup>nd</sup> Vice-President), BC

Willem Vanderlinde, AB

Harold Sweetnam, MB

Doug Peart, ON

Dennis Werry, ON

Angus MacKinnon, QC

Benoît Turmel, QC

Elyse Gendron, QC

Gilles Côté, QC

Karen Versloot, NB

### Holstein Canada's Vision

A healthy Canadian dairy industry for all

### Holstein Canada's Mission

Delivering progressive services and programs for dairy herd management.

### 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





# BOARD COMMITTEES



## Audit, Risk Management and Finance

Chair: Ben Cuthbert, BC  
Angus MacKinnon, QC  
Doug Peart, ON  
Harold Sweetnam, SK / MB  
Vince Bosquet, ON-External



## Awards

Chair: Karen Versloot, NB  
Elyse Gendron, QC  
Doug Peart, ON  
Émilie-Sophie Parenteau, QC



## Breed Advisory

Chair: Benoît Turmel, QC  
Ben Cuthbert, BC  
Nancy Beerwort, ON  
Jason Rietveld, AB  
Jean-Claude Fleury, QC  
Tony Van Lith, ON  
Phillip Vroegh, NS  
Dr. Matt Walker, ON



## Classification Advisory

Chair: Dennis Werry, ON  
Benoît Turmel, QC  
Cindy Wikkerink, BC  
Brian Carscadden, ON  
Todd Nixon, ON  
Thierry Jatton, QC  
Tyler Howard, PEI  
Dr. Matt Walker, ON



## Cow of the Year

Chair: Elyse Gendron, QC  
Jeff Donohoe, MB  
Hugh Hunter, ON  
Pier-Olivier Lehoux, QC  
Matt Clarke, NB



## Data and Technology

Chair: Elyse Gendron, QC  
Nancy Beerwort, ON  
Benoît Turmel, QC  
Doug Peart, ON  
Willem Vanderlinde, AB



## Election

Chair: Glen McNeil, ON



## Governance

Chair: Angus MacKinnon, QC  
Elyse Gendron, QC  
Harold Sweetnam, SK / MB  
Ben Cuthbert, BC  
Gerald Schipper, ON



## National / Branch Joint Meeting Representatives

Chair: Angus MacKinnon, QC  
Willem Vanderlinde, AB  
Gerald Schipper, ON  
Dennis Werry, ON  
Karen Versloot, NB  
*Along with representatives from each branch*



## Show and Judging

Chair: Nancy Beerwort, ON  
Dennis Werry, ON  
Kenton Lindenbach, SK  
Ari Ekstein, ON  
Dan Doner, ON  
Scott Brethet, ON  
Kim Coté, QC  
Pierre Boulet, QC  
Jeff Bysterveldt, PEI

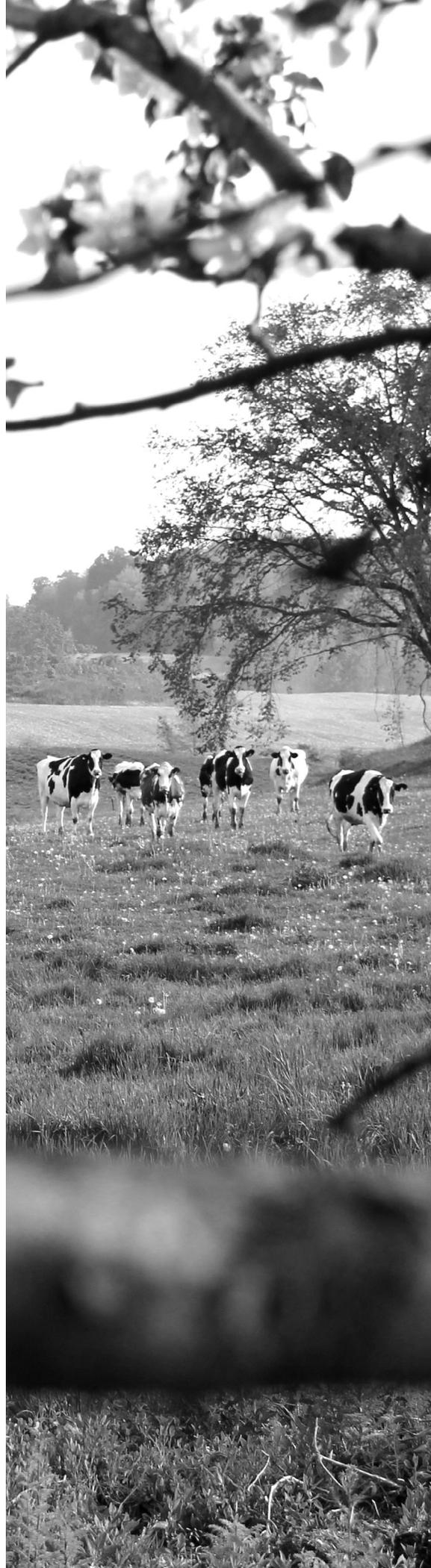


## Young Leader Advisory

Chair: Laurence Boulet, QC

## Board Representatives:

Karen Versloot, NB  
Willem Vanderlinde, AB  
  
Lars Iversen, AB  
Mike Flaman, SK  
Ryan Wert, ON  
Lysanne Pelletier, QC  
Cynthia Campbell, NS  
Alex Dolson, ON





# MEMBER AWARDS & RECOGNITION

## Century of Holsteins

*For 100 years of continuous Holstein Canada membership*

1921 – 2020      Descendants of Joseph Dickout  
Russell Dickout    WOODVIEW    Woodstock, ON

## Master Breeder Awards

*Recognizing breeding excellence*

- 4<sup>th</sup> ALTONA LEA      Blackstock, ON
- 2<sup>nd</sup> BIRKENTREE      Hunter River, PEI
- 3<sup>rd</sup> BOULET            Saint-François-de-la-Rivière-du-Sud, QC
- 1<sup>st</sup> CLAYHAVEN      Wallenstein, ON
- 3<sup>rd</sup> DONFIELD        Brandon, MB
- 1<sup>st</sup> DUALANE         Ingersoll, ON
- 1<sup>st</sup> DUHIBOU         Saint-Lambert-de-Lauzon, QC
- 1<sup>st</sup> FLECHEDOR      Princeville, QC
- 1<sup>st</sup> LAVENDER        Abbotsford, BC
- 1<sup>st</sup> LELLAVAN        Noel Shore, NS
- 1<sup>st</sup> FLECHEDOR      Princeville, QC
- 2<sup>nd</sup> MACPES          Saint-Narcisse, QC
- 1<sup>st</sup> MIRELLA         St-Bernardin, ON
- 2<sup>nd</sup> RAYPEL          Saint-Simon-de-Bagot, QC
- 1<sup>st</sup> ROBEL            Jonquière, QC
- 4<sup>th</sup> RONBETH        Hastings, ON
- 1<sup>st</sup> THORNSPYC     Lacombe, AB
- 2<sup>nd</sup> VALLEYVILLE   Glen Valley, PEI

## Scholarship Awards

*Supporting youth education*

### ONTARIO

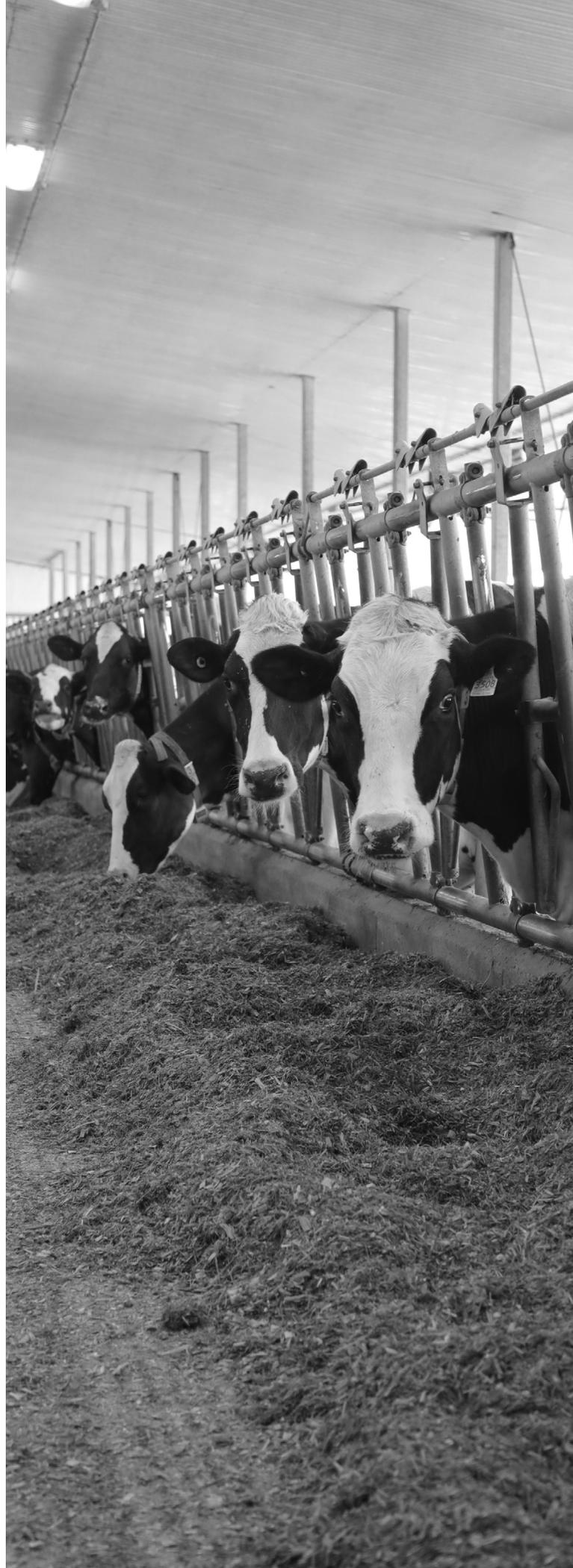
Brooke Boonstoppel      Dumfries, NB  
Brooke McNeil            Guelph, ON  
Sabrina Van Schyndel      Woodstock, ON

### QUEBEC

Catherine Bourdeau      Rimouski, QC  
Maude Labbé              St-Lambert-de-Lauzon, QC

### WEST

Tara Sweetnam            Winkler, MB





# 2020 FINANCIAL HIGHLIGHTS

## Challenge - Change - Resilience

In March 2020, the COVID-19 outbreak was declared a global pandemic by the World Health Organization. Holstein Canada responded by recalling its field service employees and our office team was re-deployed to a work-from-home environment. For the first 12 weeks of national lockdown, we ceased classification visits and cattle assessments. When we returned to barns in June, it was with enhanced health and safety protocols and personal protective equipment to ensure the safety of our employees and dairy producers.

### \$12.7 M

#### REVENUE



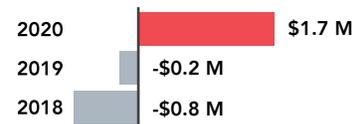
### \$12.1 M

#### EXPENSES



### \$1.7 M

#### SURPLUS\* / DEFICIT



### \$5.5 M

#### RESERVE FUND



### \$9.3 M

#### NET ASSETS



### 9,115

#### MEMBERSHIPS



### 307,869

#### REGISTRATIONS



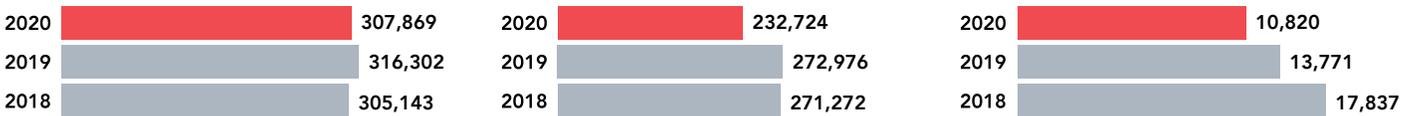
### 232,724

#### COWS CLASSIFIED



### 10,820

#### GENOMIC TESTS



\* includes Gain on Investments & Wage subsidy

## ACTIVITY NUMBERS BY PROVINCE

PROVINCE	MEMBERSHIPS		REGISTRATIONS		CLASSIFICATION		TRANSFERS		GENOMIC	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
British Columbia	360	366	23,334	24,559	13,967	17,587	1,116	2,422	693	723
Alberta	428	427	26,943	25,873	19,311	14,646	1,715	2,691	1,033	1,352
Saskatchewan	114	115	8,592	8,933	5,301	6,813	667	841	514	367
Manitoba	222	228	14,660	17,072	5,112	7,129	340	639	604	932
Ontario	3,472	3,568	116,025	115,357	77,112	88,752	10,900	14,109	3,239	3,917
Quebec	4,004	4,140	102,034	106,794	100,269	118,203	12,321	13,954	4,099	5,725
New Brunswick	167	171	4,792	5,101	3,202	5,710	437	699	206	388
Prince Edward Island	158	157	4,815	5,328	3,356	5,413	896	461	115	169
Nova Scotia	171	174	5,314	5,808	4,456	7,473	315	1,030	315	167
Newfoundland	16	16	1,297	1,371	638	1,250	594	73	2	31
International	3	3	63	106	0	0	262	302	0	0
<b>TOTAL</b>	<b>9,115</b>	<b>9,365</b>	<b>307,869</b>	<b>316,302</b>	<b>232,724</b>	<b>272,976</b>	<b>29,563</b>	<b>37,221</b>	<b>10,820</b>	<b>13,771</b>



## CLASSIFICATION ACTIVITY

### HERD VISITS

**2020** **10,894**

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**2019** **15,263**

### HOLSTEIN ANIMALS

**2020** **217,019**

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**2019** **254,659**

### OTHER DAIRY BREED ANIMALS

**2020** **15,705**

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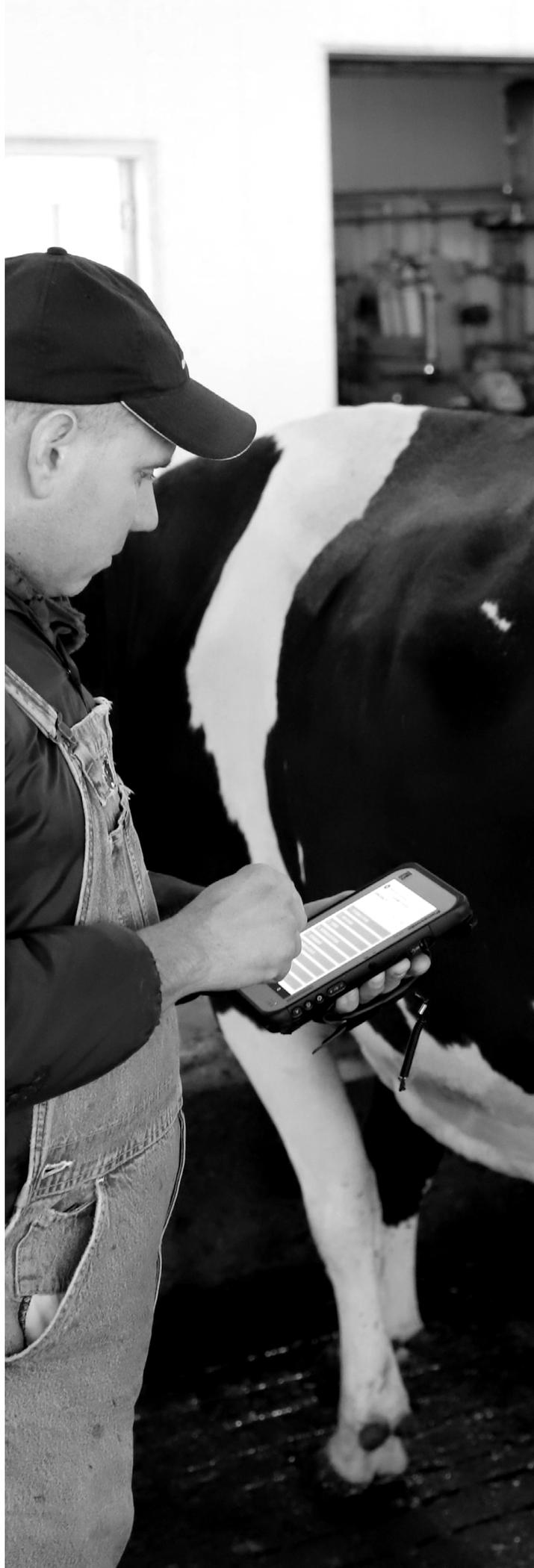
**2019** **18,317**

### TOTAL ANIMALS

**2020** **232,724**

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**2019** **272,976**





# 2020 FINANCIAL REPORT

Lorna Fothergill, Controller

## Stability Through a Global Pandemic

In managing the challenges of the pandemic, Management and the Board of Directors met more frequently during the 2020 year. Management provided several financial forecasts, outlining operations under worst case and best case scenarios to ensure that the Association was prepared under a variety of possible outcomes.

## Supporting Employees Through the Canada Emergency Wage Subsidy ("CEWS")

The Association qualified and received \$1M from the CEWS program which was used in part to support employees who were unable to work due to COVID-19.

## A New Normal

With enhanced bio-security and safety protocols, Classifiers and Assessors returned to your farms in full force in June. A strong second half of the year for both Classification and Registration activity numbers limited the impact of the pandemic to a 3% decrease in total annual revenues from the prior year. Expenses for the year were down significantly, largely due to cancelled events and travel savings, as taking care of business over Zoom took over.

## Maintaining a Strong Balance Sheet

Holstein Canada's financial position is strong with Net Assets of \$9.3M (2019 - \$7.5M). \$750K of expense savings were transferred to the Reserve Fund in 2020, with a further \$250K transferred to date in 2021. A higher than usual operating cash balance will support continued uncertainty into 2021.

## Reserve Fund

The Board approved strategy designates \$4M of the Reserve Fund solely for emergency purposes, to provide the Association with cash in case of revenue impairment or extraordinary unplanned expenses. Amounts in excess of \$4M may be considered for future development projects. At the end of the year the Reserve Fund balance was \$5.5M (2019 - \$4.7M).



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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors 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, 2020,
- ▣ the statement of operations and changes in fund balances for the year ended,
- ▣ the statement of cash flows for the year then ended,
- ▣ and notes, including a summary of significant accounting policies and other explanatory information.

(Hereinafter referred to as the "financial statements")

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2020, and its results of operations, its changes in fund balances and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### **Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' 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 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 the 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.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the 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 auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditors 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 statement including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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 the audit.

Chartered Professional Accountants, Licensed Public Accountants,

Hamilton, Canada  
April 16, 2021



# STATEMENT OF FINANCIAL POSITION

December 31, 2020, with comparative information for 2019

	Operating Fund	Reserve Fund	2020 Total	2019 Total
<b>Assets</b>				
Current assets:				
Cash (note 2)	\$ 636,767	\$ 737,510	\$ 1,374,277	\$ 787,245
Accounts receivable (note 3)	1,703,212	-	1,703,212	1,418,358
Other receivables	86,687	-	86,687	125,354
Inventory	44,864	-	44,864	31,583
Prepaid expenses	291,659	-	291,659	236,668
Investments (note 4)	-	4,766,498	4,766,498	4,005,737
	2,763,189	5,504,008	8,267,197	6,604,945
Capital assets (note 5)	2,509,611	-	2,509,611	2,726,634
	\$ 5,272,800	\$ 5,504,008	\$ 10,776,808	\$ 9,331,579
<b>Liabilities and Fund Balances</b>				
Current liabilities:				
Accounts payable and accrued liabilities (note 6)	\$ 1,097,819	\$ -	\$ 1,097,819	\$ 1,257,530
Deferred revenue (note 7)	143,268	-	143,268	107,002
Current portion of long-term debt (note 8)	161,226	-	161,226	177,647
	1,402,313	-	1,402,313	1,542,179
Long-term debt (note 8)	102,280	-	102,280	263,506
	1,504,593	-	1,504,593	1,805,685
Fund balances:				
Reserve	-	5,504,008	5,504,008	4,653,944
Operating	3,768,207	-	3,768,207	2,871,950
	3,768,207	5,504,008	9,272,215	7,525,894
Commitments (note 11)				
COVID-19 (note 13)				
	\$ 5,272,800	\$ 5,504,008	\$ 10,776,808	\$ 9,331,579

See accompanying notes to financial statements



# STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

Year ended December 31, 2020, with comparative information for 2019

	Operating Fund	Reserve Fund	2020 Total	2019 Total
<b>Revenue:</b>				
Herdbook services	\$ 7,428,881	\$ -	\$ 7,428,881	\$ 6,855,450
Classification and assessment	4,867,410	-	4,867,410	5,829,432
Membership fees	314,157	-	314,157	324,995
Finance and facilities	41,920	-	41,920	43,055
Other	50,589	-	50,589	53,731
	12,702,957	-	12,702,957	13,106,663
<b>Expenses:</b>				
Herdbook services	\$ 3,977,193	\$ -	\$ 3,977,193	\$ 3,870,894
Classification and assessment	3,605,535	-	3,605,535	4,417,271
Strategic communication	549,411	-	549,411	724,186
Executive and administration	997,117	-	997,117	1,348,532
Business and technology solutions	1,427,412	-	1,427,412	1,703,955
Finance and facilities	787,659	-	787,659	747,714
Human resources	251,408	-	251,408	209,314
Data exchange services and research	363,631	-	363,631	408,725
Other	129,705	21,312	151,017	243,721
	12,089,071	21,312	12,110,383	13,674,312
Excess (deficiency) of revenue over expenses before the undernoted	613,886	(21,312)	592,574	(567,649)
<b>Other income (expenses):</b>				
Canadian Emergency Wage Subsidy	1,031,832	-	1,031,832	-
Canadian Emergency Rent Subsidy	539	-	539	-
Investment income	-	142,009	142,009	155,575
Realized (loss) gain on investments	-	(6,859)	(6,859)	2,414
Unrealized (loss) gain on investments	-	(13,774)	(13,774)	184,310
	1,032,371	121,376	1,153,747	342,299
Excess (deficiency) of revenue over expenses	1,646,257	100,064	1,746,321	(225,350)
Fund balance, beginning of year	2,871,950	4,653,944	7,525,894	7,751,244
Transfer (to) from other funds (note 12)	(750,000)	750,000	-	-
<b>Fund balance, end of year</b>	<b>\$ 3,768,207</b>	<b>\$ 5,504,008</b>	<b>\$ 9,272,215</b>	<b>\$ 7,525,894</b>



# STATEMENT OF CASH FLOWS

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Cash flows from operating activities:		
Excess (deficiency) of revenues over expenses	\$ 1,746,321	\$ (225,350)
Items not involving cash:		
Amortization	414,974	405,203
Accrued interest	-	(16,123)
Loss on disposal of capital assets	12,479	40,066
Realized loss (gain) on sale of investments	6,859	(2,414)
Unrealized loss (gain) on investments	13,774	(184,310)
Change in non-cash assets and liabilities:		
Accounts receivable	(284,854)	238,828
Other receivables	38,667	45,537
Inventory	(13,281)	(12,110)
Prepaid expenses	(54,991)	(39,637)
Accounts payable and accrued liabilities	(159,711)	(198,380)
Deferred revenue	36,266	34,783
	<b>1,756,503</b>	<b>86,093</b>
Investing activities:		
Purchase of capital assets	(255,681)	(333,276)
Proceeds on disposal of capital assets	45,252	44,075
Proceeds on sale of investments	405,186	1,315,449
Purchase of investments	(1,186,580)	(1,186,259)
Change in restricted cash	(89,304)	(248,091)
	<b>(1,081,127)</b>	<b>(408,102)</b>
Financing activities:		
Repayment of long-term debt	(177,647)	(101,649)
Issuance of long-term debt	-	298,000
	<b>(177,647)</b>	<b>196,351</b>
Increase (decrease) in cash	<b>497,729</b>	<b>(125,658)</b>
Cash, beginning of year	<b>139,038</b>	<b>264,696</b>
Cash, end of year	<b>\$ 636,767</b>	<b>\$ 139,038</b>

See accompanying notes to financial statements



# NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2020

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.

## 1. Significant accounting policies:

### (a) Basis of accounting:

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

### (b) 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 internally restricted to provide for future contingencies and to fund specific projects.

### (c) 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 proportionally 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.

### (d) Inventory:

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

### (e) 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.

### (f) Cash and cash equivalents:

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



# NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2020

## 1. Significant accounting policies (continued):

### (g) 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, \$78,015 (2019 - \$93,844) is included in accounts payable and accrued liabilities relating to these amounts. At year end, \$8,525 (2019 - \$14,455) is included in accounts receivable relating to these amounts.

### (h) 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.

### (i) Development costs:

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

### (j) Capital assets:

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

Asset	Method	Rate
Building	Straight-line	30 years
Building improvements	Straight-line	10 years
Office furniture and equipment	Straight-line	5 years
Data processing	Straight-line	3-4 years
Automobiles	Declining balance	30%



# NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2020

## 1. Significant accounting policies (continued):

### (k) 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.

### (l) Inter fund transfers:

Inter fund transfers represent amounts used to fund projects and initiatives.

### (m) 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 change in fair value reported in income. All other financial instruments are reported at cost or amortized cost less impairment. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items measured at fair value and charged to the financial instrument for those measured at amortized cost.

Financial assets are tested for impairment when indicators of impairment exist. When a significant change in the expected timing or amount of the future cash flows of the financial asset is identified, the carrying amount of the financial asset is reduced and the amount of the write-down is recognized in net income. A previously recognized impairment loss may be reversed to the extent of the improvement, provided it is not greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously, and the amount of the reversal is recognized in income.

### (n) 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and may have impact on future periods.

## 2. Cash:

The Association's bank accounts are held at one chartered bank. The bank accounts earn interest at a nominal rate. Included with cash is \$737,510 (2019 - \$648,207) in internally restricted funds held in a high-interest savings account earning interest at a rate of 0.35% (2019 - 1.85%).

The Association has a revolving demand facility totaling \$825,000 which bears interest at the bank's prime rate plus 0.30% per annum. At year end, this facility was not utilized (2019 - \$nil). These facilities are secured by a general security agreement constituting a first ranking security interest in all personal property of the Association. The Association has a credit card facility with US Bank Canada totaling approximately \$400,000. At year end, approximately \$79,934 of the facility was utilized (2019 - \$99,537).



## NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2020

### 3. Accounts receivable:

Accounts receivable represents trade receivables for membership fees, services and products and are net of an impairment allowance of \$40,000 (2019 - \$32,000).

### 4. Investments:

	2020		2019	
Guaranteed investment certificates	\$	1,814,583	\$	1,111,821
Bonds and debentures				
Canadian provincial and public authorities		1,495,479		1,678,168
Equities				
Preferred shares		60,228		56,970
Common shares		1,377,918		1,158,778
Foreign securities		18,290		-
	\$	4,766,498	\$	4,005,737

The guaranteed investment certificates earn interest at a rate ranging between 0.90% - 3.01% (2019 - 2.40% - 3.01%). The Canadian provincial and public authorities bonds have interest rates between 2.90% - 4.70% (2019 - 2.90% - 4.70%). These investments will mature within a period of 1 - 5 years and are readily converted into cash.

The preferred dividend yields range from 4.90% - 5.20% (2019 - 4.90% - 5.20%). The common shares have no fixed maturity dates and are generally not exposed to interest rate risk. Dividends are generally declared on an annual basis.

At year end, the amounts included above are internally restricted in relation to the reserve fund (note 12).



# NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2020

## 5. Capital assets:

			2020	2019
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 328,851	\$ -	\$ 328,851	\$ 328,851
Building	3,008,125	1,905,438	1,102,687	1,202,957
Building improvements	138,661	106,397	32,264	41,848
Fafard sculpture	179,686	-	179,686	179,686
Office furniture and equipment	398,850	299,642	99,208	158,804
Automobiles	931,387	428,241	503,146	651,437
Computer hardware and software	584,330	320,561	263,769	163,051
	\$ 5,569,890	\$ 3,060,279	\$ 2,509,611	\$ 2,726,634

## 6. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$54,560 (2019 - \$67,526).

## 7. Deferred revenue:

	2020	2019
Membership fees	\$ 69,182	\$ 70,023
Product and service revenue	74,086	36,979
	\$ 143,268	\$ 107,002



# NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2020

## 8. Long-term debt:

	2020	2019
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.	\$ 23,811	\$ 69,823
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.	45,533	71,226
Revolving term loan, repayable in monthly installments of \$2,352 including interest calculated at a rate of 4.6% per annum, maturing June 2022, secured by a general security agreement.	40,888	66,587
Revolving term loan, repayable in monthly installments of \$6,471 including interest calculated at a rate of 4.05% per annum, maturing October 2022, secured by a general security agreement.	136,975	207,518
Non-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.	16,299	25,999
	263,506	441,153
Current portion	(161,226)	(177,647)
Long-term portion of debt	\$ 102,280	\$ 263,506
Principal repayment on long-term debt over the next two years are as follows:		
2021		\$ 161,226
2022		102,280
		\$ 263,506

The Association has a \$620,000 term loan credit facility and a \$620,000 revolving lease line of credit with RBC. The total combined borrowings under these two facilities may not exceed \$620,000 at any given time. At year end, approximately \$247,207 (2019 - \$415,154) of the term loan facilities was utilized, with no drawings on the lease line of credit (2019 - \$nil).

## 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 \$184,518 (2019 - \$182,061).

## 10. Financial instruments:

### (a) 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



# NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2020

## 10. Financial instruments (continued):

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.

### (b) 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.

### (c) 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.

### (d) 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. Commitments:

The Association is committed to paying annual service fees for genetic evaluations activities carried out by the Canadian Dairy Network ("CDN"), a company doing business as Lactanet, pursuant to an agreement between the CDN, Canadian Artificial Insemination Centers, Canadian Milk Recording Agencies and Canadian Breed Associations. The estimated cost to the Association for fiscal 2021 is \$345,000, plus \$75,000 for dairy research as part of the DairyGen Council.

## 12. Reserve fund:

The Association has a reserve fund established to address for future contingencies and to fund specific projects. During the year, \$750,000 of the monies saved from travel and event cancellations due to COVID-19 was transferred from the operating fund to the reserve fund for use in future projects (2019 - \$nil transfers).

## 13. COVID-19:

In March 2020, the COVID-19 outbreak was declared a global pandemic by the World Health Organization, which has resulted in governments worldwide, including Canada, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally and in Canada, resulting in economic slowdown.



## NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2020

### 13. COVID-19 (continued):

As a result, the Association is closely monitoring its costs and expenditures to manage the potential impact of reduced revenues and has taken measures including revising budgets, reducing costs where applicable, workforce arrangements and moving its office almost entirely to a work from home environment. As the Association provides essential services that support the integrity of Canada's food supply, the most significant negative impact on revenue occurred during to the first twelve weeks of the pandemic lockdown when field service employees were recalled. The Association's on-farm services resumed in June with enhanced health and safety protocols in place to protect the safety of our employees in the field, dairy producers and their herds. The impact on cash flows, working capital levels and/or debt balances, which may also have a direct impact on the organization's operating results and financial position in the future, will depend on a number of variables including regional travel restrictions and ongoing developments in vaccination and pandemic management by provincial and federal levels of government.

The Association has accessed government assistance via the Canadian Emergency Wage Subsidy and Canada Emergency Rent Subsidy. During the year, the Association received \$1,031,832 and \$539 under these programs, respectively.

The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Association is not known at this time.

### 14. Comparative figures:

Certain comparative figures have been reclassified to conform with the current year presentation.