



HOLSTEIN CANADA 2019 ANNUAL REPORT



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Holstein Canada's 137th Annual General Meeting Agenda

7:00 a.m. Buffet breakfast

8:30 a.m. Raphael Ball Room –
Delta Regina

11:30 a.m. Buffet lunch

5:30 p.m. Please join us this evening for a reception in the foyer of the Raphael Ballroom to celebrate our Master Breeders. Doors to the Raphael 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 2019 Annual General Meeting of Members
6. Address of the President
7. Chief Executive Officer's Report
8. 2019 Financial Report
9. Presentation of the 2020 Budget
10. Appointment of Audit Firm
11. Introduction of Industry Partners
12. Remarks from Industry Partners & International Guests

13. Committee Reports
 - a) Classification Advisory
 - b) Show and Judging
 - c) Breed Advisory
14. Presentation of Awards
 - a) 2019 Production Champions
 - b) Century of Holsteins
 - c) Superior Recognition
 - d) Superior Achievement
15. Member Resolutions
16. Members' Input Session
17. Invitation to the 2021 Convention and AGM in Ottawa, Ontario
18. Unveiling of 2019 Cow of the Year
19. Special Recognitions
20. Adjournment



At 1 p.m., immediately following the AGM, there will be a Master Breeder panel. Everyone is welcome to ask questions of our four 2019 Master Breeder panelists.

President's Message



Gerald Schipper,
President of the Board

Dear Holstein Canada members,

From a cropping perspective, most Canadian dairy producers are probably glad to put 2019 behind them. We understand that completely. However, even with the hardships, producers across the country helped Holstein Canada reach new records last year. This reinforces the fact that our members see our core services as key management tools, even more important when margins are tighter.

It has been a privilege to lead your Board of Directors as we completed Year 1 and dove into Year 2 of our current Strategic Plan. We are a diverse yet cohesive group.

The main motivating factor for the Board is our strong link to grassroots – we never, ever take this for granted. It is no coincidence that the first pillar of our Strategic Plan is **Producer Engagement**. Being a strong grassroots organization comes with a responsibility to be there, to listen, and to make decisions based on producer input. In an era when everyone is busy, we are grateful to the members who took time to attend Club and

Branch functions and share their opinions. Special recognition goes to our Committee members – your input was key to important Board decisions.

We were pleased to enhance our Committees with youth representatives, as youth are our present, not just our future. This is why **Youth** has a dedicated pillar in our Strategic Plan.

Along with strengths come challenges. Your Board spent a considerable amount of time discussing data in the past year. Who owns it? How can we use it more efficiently? Why aren't all producers contributing to the data pool, and how do we reward those who do? The answers are not quick to find and are linked to two important pillars in our Strategic Plan: **Technology** and **Partners**.

We salute the arrival of *Lactanet*. We will continue to meet formally on a regular basis, as you own both structures. We need to be efficient in serving your needs in these changing times. We were also very pleased to continue and enhance our link with the other key producer structure, *Dairy Farmers of Canada*. Both of these organizations can count on our continued support.

Our beautiful Holstein cow connects us at home and on the global stage. While trips to the United States, Mexico, Brazil, and Europe were great opportunities to promote Canadian Holsteins, they were also clear reminders of the distinct privilege of working in a supply management system.

Holstein Canada feels it is

important to celebrate the great successes of both our industry and our individual members. Five of the Top 8 Most Influential Breeders in the World as chosen by their peers in *Holstein International*, including #1, were Canadian. This speaks volumes. Congratulations to these role models!

Your Board devoted time to managing the CEO change. We thank Ann Louise Carson for her eight years of dedication and look forward to the future with a new CEO, supported by the dedicated Management Team in place.

It has been a pleasure and a privilege serving as your President. This was made possible by the support of a great team at Holstein Canada, both the Board and staff. The greatest support of all came from my family and team at Skipwell - I can't thank you enough.

Respectfully,

Gerald Schipper,
President

Chief Executive Officer's Message



Ann Louise Carson,
Chief Executive Officer

Dear Holstein Canada members,

Just like on the farm, life is simpler when you have a plan. Allow me to give you an update on the accomplishments and challenges of 2019 leading into 2020, as per the 2019-2021 Strategic Plan that guided the Management Team and staff throughout the last year.

Producer Engagement: Along with daily operations, we doubled the on-farm workshops (40 to 80), reaching out to a diversified clientele. Hosting a Forum for the Branch Secretaries was key to improving our communication with these grassroots colleagues. Social media interest continued to grow, with our Instagram following increasing by 24% in 2019.

Youth: By giving more than 40 presentations at post-secondary agricultural institutions (with our Branch colleagues) and youth events, youth interest continued to grow. The full impact of increasing Junior Membership will be seen in 2020 because of the recent launch of a revamped program with benefits like shared prefixes.

We were pleased to continue our Scholarship program.

Growth & Value: Thanks to loyal clients, we reached a fifth consecutive year of growth in registrations and third in classifications, setting new records for core services. This included welcoming 130 new and returning Classification herds. Canadian dairy producers are clearly seeing the value of our services as herd management tools – not to be taken for granted.

On Farm Service Excellence: Our three on-farm staff teams - Classifiers, Assessors, and Holstein Canada/Branch Field Service reps - are now working closer together than ever. This approach, which will continue in the future with the arrival of the new software in 2020 allowing all on farm activity to be done on one mobile platform, contributed to 2019's positive core service results.

Technology: The successful launch of the genetic herd management software **Compass**, in partnership with Lactanet and Zoetis, was the key technology project in 2019, along with some enhancements to our Herdbook software. While progress was made on accessing data from automated milking systems for registrations, we feel strongly that more work has to be done by our company and the industry as a whole on accessing data.

Business Relations: Along with the projects and forums mentioned above, we were pleased to increase our links with our sister breeds.

We now offer classifications, Herdbook, and administrative support to all breeds as they see fit. We look forward to increasing our work with Dairy Farmers of Canada and Lactanet on traceability as we prepare to be the DairyTrace Customer Service desk in late 2020 for producers outside Quebec.

As on your farm, things do not always go as planned! Thanks to a very devoted Holstein Canada team – they are amazing – we quickly reacted to whatever came our way and got back on track. This was also due to great vision and support from the Board of Directors. Special thanks to President Gerald Schipper for his positive attitude as we reached the finish line in 2019 and began planning for 2020 and beyond.

This is my “so long” CEO report, as I prepare to move on to the next chapter of my life. It is definitely not goodbye though, as I was blessed to be born into this great industry. I have every intention of watching your continued success from the sidelines – grassroots are so important and powerful. Thank you for your incredible support, smiles, kind words and guidance.

Respectfully,

Ann Louise Carson,
Chief Executive Officer

Board of Directors



Gerald Schipper
President
ON



Elyse Gendron
Vice-President
QC



Nancy Beerwort
2nd Vice-President
ON



Ben Cuthbert
BC



Willem Vanderlinde
AB



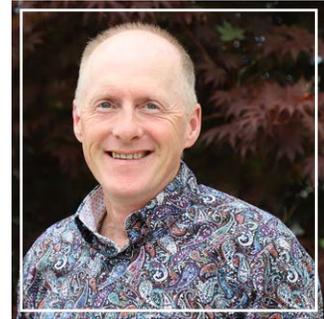
Ron Boerchers
MB/SK



Doug Peart
ON



Dennis Werry
ON



Angus Mackinnon
QC



Benoît Turmel
QC



Gilles Côté
QC



Harry Van der Linden
NS

Board Committees



Audit, Risk Management and Finance

Chair: Nancy Beerwort	ON
Ben Cuthbert	BC
Gilles Côté	QC
Harry Van der Linden	Atlantic
Vince Bosquet	Exernal



Awards

Chair: Doug Peart	ON
Ron Boerchers	SK/MB
Harry Van der Linden	Atlantic



Breed Advisory

Chair: Ben Cuthbert	BC
Gilles Côté	QC
Benoît Turmel	QC
Jean-Claude Fleury	QC
Olivier Leclerc	QC
Phillip Vroegh	NS
Ian Crosbie	SK
Josh Ireland	ON
Dr. Gordon Atkins	AB
Lynsay Beavers	ON
Dr. Matt Walker	ON



Classification Advisory

Chair: Dennis Werry	ON
Benoît Turmel	QC
Cindy Wikkerink	BC
Dan Aitken	ON
Brian Carscadden	ON
Todd Nixon	ON
Thierry Jaton	QC
Tyler Howard	PEI
Dr. Gordon Atkins	AB
Dr. Matt Walker	ON



Cow of the Year

Chair: Ron Boerchers	SK/MB
Jeff Donohoe	MB
Hugh Hunter	ON
Pier-Olivier Lehoux	QC
Matt Clarke	NB



Election

Chair: Glen McNeil	ON
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Governance

Chair: Angus MacKinnon	QC
Doug Peart	ON
Gerald Schipper	ON
Elyse Gendron	QC



National / Branch Joint Meeting Representatives

Chair: Harry Van der Linden	Atlantic
Willem Vanderlinde	AB
Gerald Schipper	ON
Dennis Werry	ON
Angus MacKinnon	QC
Along with representatives from each branch	



Show and Judging

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



Young Leader Advisory

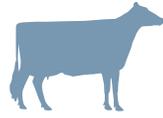
Chair: Laurence Boulet	QC
Board Representatives:	
Willem Vanderlinde	AB
Angus MacKinnon	QC
Lars Iversen	AB
Mike Flaman	SK
Alex Dolson	ON
Ryan Wert	ON
Olivier Roy-Tanguay	QC
Cynthia Campbell	NS

Business Activity

Classification Activity



Herd Visits
15,263



Holsteins
254,659



Other Dairy Breeds
18,317



Total
272,976

Activity	2019	2018	2017	2016	2015	2014
Herd Visits	15,263	13,841	14,713	15,310	16,111	17,207
Holsteins	254,659	254,068	245,940	241,469	244,236	244,919
Other Dairy Breeds	18,317	17,204	17,117	16,619	17,037	17,979
Total Animals	272,976	271,272	263,057	258,088	261,273	262,898

Herdbook activity (Comparative by Province)



Memberships
9,365



Registrations
316,302



Transfers
37,221



Genomic Tests
13,771

Province	Memberships		Registrations		Transfers		Genomic Tests	
	2019	2018	2019	2018	2019	2018	2019	2018
British Columbia	366	383	24,559	23,388	2,422	1,343	723	1,341
Alberta	427	441	25,873	26,354	2,691	1,595	1,352	1,206
Saskatchewan	115	122	8,933	6,906	841	756	367	460
Manitoba	228	229	17,072	11,885	639	846	932	460
Ontario	3,568	3,671	115,357	112,774	14,109	12,779	3,917	4,583
Quebec	4,140	4,379	106,794	107,050	13,954	17,947	5,725	8,636
New Brunswick	171	179	5,101	5,376	699	253	388	432
Prince Edward Island	157	168	5,328	4,867	461	709	169	136
Nova Scotia	174	183	5,808	5,392	1,030	436	167	326
Newfoundland	16	16	1,371	1,134	73	54	31	257
International	3	3	106	17	302	323	0	0
Totals:	9,365	9,774	316,302	305,143	37,221	37,041	13,771	17,837

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



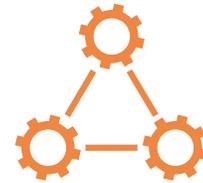
ON-FARM SERVICE EXCELLENCE

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.

A Decade

2009	2010	2012	2013	2014
 <p>A tribute to the Canadian dairy cow, Kanata & Kanata Bella Futura was sculpted by French-Canadian artist Joe Fafard</p>	 <p>Launched the national genomic testing service in partnership with Semex Alliance</p>	 <p>Hosted the 2012 World Holstein Conference, the first to be held on Canadian soil</p>	 <p>Holstein Canada started registering animals for Canadienne</p>	 <p>Holstein Canada started registering animals for Ayrshire Canada</p>



In Review

2015	2016	2017	2018	2019
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Awarded the 1,000th Master Breeder Shield at the National Holstein Convention in Calgary, Alberta



Became the service provider for Animal Care Assessments as part of the DFC proAction[®] initiative



In celebration of Canada's 150th birthday, the Holstein Canada Awards Committee recognized cows and members based on the "150" theme



The Canadian Brown Swiss & Braunvieh Association signed an agreement to have Holstein Canada take care of all administrative service



Holstein Canada and Lactanet launched Compass software



Jubilee Celebrates Canada's 150th

Name	Year	Points	Rank	Year	Points	Rank
ALBERTA'S BEST BREEDER	2015	1,000	1	2016	1,000	1
ALBERTA'S BEST BREEDER	2016	1,000	1	2017	1,000	1
ALBERTA'S BEST BREEDER	2017	1,000	1	2018	1,000	1
ALBERTA'S BEST BREEDER	2018	1,000	1	2019	1,000	1



Member Awards & Recognition

Century of Holsteins

For 100 Years of Continuous Holstein Canada Membership

1920 – 2019 MONOAK Descendants of James C. Jenkins Belmont, ON

Certificate of Recognition

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

Lorne Loveridge Grenfell, SK

Certificate of Superior Accomplishment

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

Keith Flaman Regina, SK

Master Breeder Awards

Recognizing breeding excellence

1 st	AGGIES	Hueging Dairies Ltd.	Woodlands, MB
1 st	AMIGO	Ferme A.M.Y. Martin Inc.	Saint-Valentin, QC
1 st	BOISBLANC	Ferme Boisblanc Holstein Inc	Saint-Justin, QC
1 st	CHARPENTIER	Ferme Charpentier	Sawyerville, QC
3 rd	DARCROFT	Darcroft Farms Ltd.	Embryo, ON
1 st	FAMIPAGE	Ferme Famipage Inc.	Saint-Louis-de-Gonzague, QC
2 nd	GOLDENFLO	MacBeath Farms Ltd.	Marshfield, PE
2 nd	HAMMINGVIEW	Hammingview Farms Ltd.	Pitt Meadows, BC
2 nd	IDEE	Idee Holsteins	Hunter River, PE
1 st	LARENWOOD	Larenwood Farms	Drumbo, ON
2 nd	LEHOUX	B. Lehoux & Fils Inc.	Saint-Elzéar, QC
1 st	LESBERTRAND	Georges Bertrand	Saint-Polycarpe, QC
2 nd	LESPERRON	Ferme Lesperron Inc.	Bury, QC
1 st	MAPLEBROUGH	Maplebrough Holsteins	Uxbridge, ON
2 nd	MAURICIENNE	Ferme J.M. Cossette & Fils Inc.	Saint-Maurice, QC
1 st	NICREST	Nicole Parkinson	Chilliwack, BC
3 rd	SUNNYHOME	Sunnyhome Farms Ltd.	Salmon Arm, BC
1 st	WILMARLEA	Wilmarlea Farm	Embryo, ON
1 st	WISSELVIEW	Wisselview Farms	Pitt Meadows, BC

Bovine Medicine Awards

Supporting Canadian veterinary education

Dr. Samatha Pomroy
Dr. Alexandra Gariépy
Dr. Alexandre Jalbert
Dr. Sydney Sprenger

University of Prince Edward Island: Atlantic Veterinary College
Université de Montréal Faculté de médecine vétérinaire
University of Guelph / Ontario Veterinary College
University of Saskatchewan / Western College of Veterinary Medicine

Scholarship Awards

Supporting youth education



Christina Boonstoppel
University of Saskatchewan
Grunthal, MB



Grace Hughes
Dalhousie University
Bonshaw, PE



Hannah Woodhouse
University of Guelph
Guelph, ON



Jaime Wilson
University of Guelph
Port Perry, ON



Jonathan Pelletier
University of Laval
Saint-Gervais, QC



Leslie Mackinnon
McGill University
Coaticook, QC

2019 Non-binding Resolutions: Action Update

Subject Area: Service Fees

1. Submitted by Branch: Quebec

- Whereas Holstein Canada charges the same late fees (\$20) for all animals over 3 months of age;
- Whereas the longer one waits to register their animals, the more errors can occur;
- Whereas breeders who wait until their cows are 24 months of age can do so on purpose to register only their best cows;

Be it resolved that Holstein Canada review the late registration fee formula so it is fair to all and awards retain their credibility.

Action Update: A complete review of submitted registrations by Holstein Canada found the following facts:

- 85% of registrations received are for calves under 3 months of age
- For cows over 2 years of age, the percentage falls to less than 1%
 - For the Late Registration category over 2 years of age, the majority were through new herds or catch-up herds (those restarting Registration after a lapse of 3 or more years).

Based on this review, the two-tier Registration fee structure will remain. The general aim of this resolution will be kept in mind for any future discussion of the Registration fee structure and review of the awards criteria.

2. Submitted by Branch: Ontario

- Whereas sales play an important role in our dairy industry;
- Whereas a percentage of Holstein Canada's revenue is made by sales (e.g. transfers);
- Whereas it is beneficial for buyers to see the official extended pedigree;
- Whereas a large percentage of sale managers are Holstein Canada members;

Be it resolved that Holstein Canada make the price per extended pedigree discounted for bulk orders for Holstein Canada members, with a bulk order of 30 pedigrees or more reducing the price from \$10 per pedigree to \$5 per pedigree.

Action Update: An in-depth review of extended pedigrees is currently underway, including an analysis of bulk order fees. At this time, there are no fee changes. Any future changes resulting from review will be communicated through traditional platforms including InfoHolstein and social media.

Subject Area: Tags

3. Submitted by Branch: Ontario

- Whereas there have been numerous issues with ear tags breaking and/or falling out;
- Whereas it is causing a tremendous amount of frustration amongst our breeders;
- Whereas it is detrimental to our identification system, both for Holstein Canada and the CCIA database;

Be it resolved that Holstein Canada find an acceptable solution to the problem of ear tags breaking and/or falling out.

Action Update: Holstein Canada has worked closely with the tag manufacturer Allflex to investigate all concerns. Following this investigation, Allflex has recommended modifications to the male tag to improve overall performance and address the challenges encountered with the Ultraflex RFID XLarge Panel tag set. The back of the male tag will have a larger tag surface on the top portion, increased thickness around the transition

from panel to stem, and a slightly longer stem. The tag modification request has been sent to the Canadian Food Inspection Agency for approval. CFIA is the responsible agency for identification and movement recording and reporting requirements for animals covered under Part XV of the Health of Animals Regulations. Once approved, introduction of the new tag will begin.

Subject Area: Industry Discussions

4. Submitted by Branch: Quebec

- Whereas technological advances and many milking systems provide daily data on milk weights, components and somatic cells;
- Whereas the cost of milk recording services is high, in spite of the context of milk production;
- Whereas the concept of BCAs adds no economic value to the profitability of dairy farms;
- Whereas more and more producers are no longer using official and unofficial milk recording systems in order to save money;
- Whereas we lose a lot of data when producers discontinue milk recording, which in turn reduces the reliability of bull proofs;
- Whereas milk recording agencies often offer on-farm registration services;
- Whereas certain clubs already give recognition awards to herds that do not use official milk recording;
- Whereas it is of the utmost urgency for us to act;

a) **Be it resolved** that Holstein Québec and Holstein Canada put pressure on Valacta to reduce their costs related to using milk-recording services over the next year.

b) **Be it resolved** that milk recording find quick and achievable solutions to deliver a service adapted to clients using daily data collection systems in order to collectively retain members and to keep the importance of being able to compare themselves to others.

Action Update: Holstein Canada meets with Lactanet, the organization replacing Valacta, on a regular basis, to discuss many topics of shared interest. We have forwarded the pricing concerns expressed in this resolution to Lactanet.

5. Submitted by Branch: Quebec

- Whereas Holstein Canada's recognition programs are based on production, longevity and classification;
- Whereas the Master Breeder title and the Superior Production Award need to be maintained to encourage breeders to continue improving the breed;
- Whereas the number of herds no longer using milk recording and classification services continues to increase;
- Whereas more than 11% of herds in Canada use robotic milking and that this percentage continues to increase;
- Whereas robotic milking systems gather accurate daily data from 2 to 3 milkings per cow, recording approximately 900 pieces of data per cow per year;
- Whereas the Holstein breed needs to keep breeders who use robotic milking systems as members because they are key to maintaining the vitality of our clubs;

Be it resolved that Holstein Canada work with the various relevant organizations to update and modernize data collection from robotic systems with the goal of promptly providing an official milk recording option that is publishable.

Action Update: Lactanet has launched eDHI, a program through which producers can receive genetic indexes and publishable milk records without requiring a staff visit to their farm. Holstein Canada has worked closely with Lactanet on the data exchange process for receiving the eDHI records. Holstein Canada will continue to examine other possible options for receiving on-farm data and how it can be used for award calculations.

6. Submitted by Branch: Quebec

- Whereas the Canadian dairy network (CDN) made the decision, without consulting the producers, to stop publishing the Direct Genomic Value (DGV) Index rather than to provide education about its interpretation and its use;
- Whereas dairy producers pay for milk recording, pay for Holstein Canada services, pay AI units and also pay to have genomic tests done, they therefore have a right to be able to use the data and indexes of their choice, especially since most of them help gather this data;
- Whereas the dairy production and high genetic animals (offspring) context is becoming increasingly difficult, it is therefore not the right time to take work / selection tools away from producers;

Be it resolved that Holstein Québec and Holstein Canada make the necessary recommendations to CDN to keep the DGV Index available, as dairy producers never asked for it to be removed.

Action Update: Holstein Canada worked closely with all parties involved on relevance of DGVs throughout 2019. Following meetings with producers, CDN/Lactanet conducted additional research. Results did not show scientific evidence demonstrating DGVs provided more information for selection and mating decisions compared to official value of GPA. The GEB recommendation to the Lactanet Board of Directors to cease publication of DGVs effective December 2019 was approved. Additional information is available in the article "Genomic Evaluations Without Published DGV" on the Lactanet website.

Subject Area: Technology

7. Submitted by Branch: Ontario

- Whereas an app for your phone or tablet to register calves would be a one-stop shop and thereby quicker and easier;
- Whereas a member would login into their account via the app, allowing all information to be uploaded immediately and easily, and with the potential to provide the option of scanning ear tag data directly with a cellphone;
- Whereas photos are an important option for ensuring accuracy for both Holstein Canada and CCIA's identification systems, and an app would allow photos to be uploaded more efficiently and effectively to pedigree;

Be it resolved that Holstein Canada develop an app to allow easier registration of animals.

Action Update: Holstein Canada has developed a prototype for a producer mobile app focused on Animal Inquiry. Further development to transition from the prototype stage to a distributable version will continue following the completion of the high priority projects currently underway.

In addition, communication programs were used to increase awareness of the mobile capabilities of the existing Web Accounts. Accessing Web Accounts on any mobile device lets producers submit registrations and upload photos directly from the phone.

2019 Financial Report

Lorna Fothergill, Controller - Finance

FINANCIAL POSITION

On December 31, 2019, the Association was in a strong financial position, with net assets of \$7.5M. The deficit for all funds combined improved from \$835K in 2018 to \$225K in 2019.

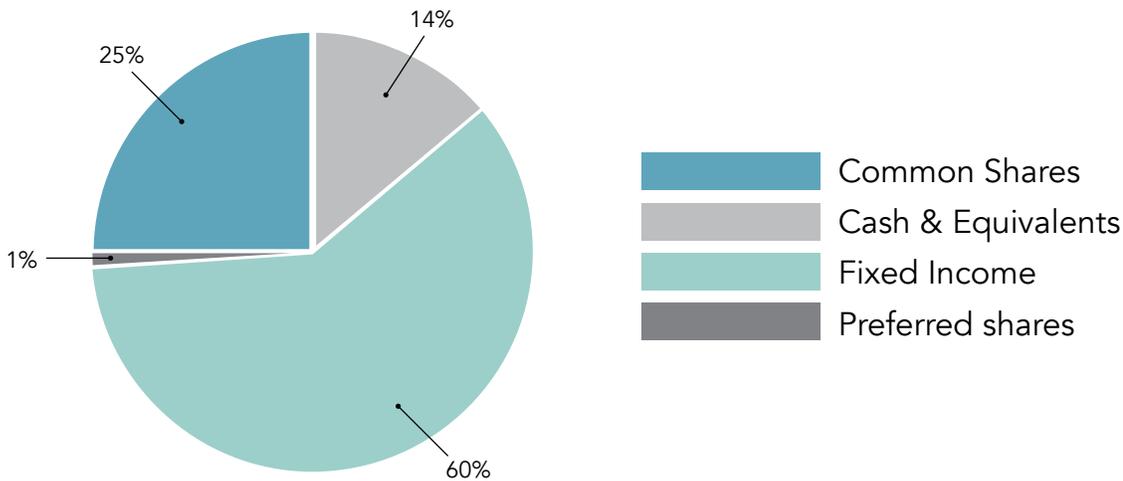
OVERALL OPERATING RESULTS

Total revenue from operations tipped the \$13M mark for the first time in 2019 at \$13.1M (2018: \$12.7M). Total revenue was \$0.4M lower than budget due to the unplanned work stoppage for cattle assessments in three provinces and lower genotesting and tag revenue. Registrations and Classification services both exceeded budget targets and hit record activity numbers in 2019, a positive indicator for the Association. Total expenses were \$13.7M (2018: \$13.5M), under budget by \$0.5M due to a combination of lower variable cost of sales and careful management of the bottom line.

RESERVE FUND

The Association maintains a Reserve fund to provide funds to meet financial obligations and carry on business should an unforeseen event seriously impair revenue streams or generate significant unexpected costs. At the end of 2019, the Reserve fund balance was \$4.7M, \$0.3M higher than in 2018. The Investment Fund had a positive valuation increase in 2019, with market conditions and interest rate uncertainty both stabilizing. No funds were withdrawn from the Reserve Fund in 2019 (2018: \$750K).

RESEVE FUND INVESTMENTS \$4.7 MILLION



ACCOUNTABILITY AND OVERSIGHT

The Board of Directors approves the annual budget and receives monthly financial reports from management, measured against the budget and previous year. The Audit, Risk Management and Finance Committee meet to provide oversight for the external audit, financial performance and business risk. In 2019, the Committee formally added IT risk management to its mandate, recognizing the importance of technology and data management in today's business environment.

2020 OUTLOOK

The 2020 financial year targets a 7% increase in revenues, including cattle assessment visits delayed from 2019, and a 3% increase in expenses. The Association will continue to invest in the development of value added technology to support growth, value and all facets of the 2019-2021 Strategic Plan.

Independent Auditor's Report



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Commerce Place
21 King Street West, Suite 700
Hamilton Ontario L8P 4W7
Canada
Telephone (905) 523-8200
Fax (905) 523-2222

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Holstein Association of Canada

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, 2019,
- 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, 2019, 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.

Other Matter

The financial statements of Holstein Association of Canada for the year ended December 31, 2018, were audited by another auditor who expressed an unmodified opinion on those statements on March 20, 2019.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.

Independent Auditor's Report



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.

Independent Auditor's Report



- 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 statements, 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 our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants,

Hamilton, Canada
March 19, 2020

Statement of Financial Position

December 31, 2019 with comparative information for 2018

	Operating Fund	Reserve Fund	2019 Total	2018 Total
Assets				
Current assets:				
Cash (note 2)	\$ 139,038	\$ 648,207	\$ 787,245	\$ 664,812
Accounts receivable (note 3)	1,418,358	-	1,418,358	1,657,186
Other receivables	125,354	-	125,354	170,891
Inventory	31,583	-	31,583	19,473
Prepaid expenses	236,668	-	236,668	197,031
Investments (note 4)	-	4,005,737	4,005,737	3,932,080
	1,951,001	4,653,944	6,604,945	6,641,473
Capital assets (note 5)	2,726,634	-	2,726,634	2,882,702
	\$ 4,677,635	\$ 4,653,944	\$ 9,331,579	\$ 9,524,175
Liabilities and Fund Balances				
Current liabilities:				
Accounts payable and accrued liabilities (note 6)	\$ 1,257,530	\$ -	\$ 1,257,530	\$ 1,455,910
Deferred revenue (note 7)	107,002	-	107,002	72,219
Current portion of long-term debt (note 8)	177,647	-	177,647	77,753
	1,542,179	-	1,542,179	1,605,882
Long-term debt (note 8)	263,506	-	263,506	167,049
	1,805,685	-	1,805,685	1,772,931
Fund balances:				
Reserve	-	4,653,944	4,653,944	4,332,196
Operating	2,871,950	-	2,871,950	3,419,048
	2,871,950	4,653,944	7,525,894	7,751,244
Commitments (note 11)				
	\$ 4,677,635	\$ 4,653,944	\$ 9,331,579	\$ 9,524,175

See accompanying notes to financial statements.

Statement of Operations and Changes in Fund Balances

Year ended December 31, 2019, with comparative information for 2018

	Operating Fund	Reserve Fund	2019 Total	2018 Total
Revenues:				
Revenue from operations				
(Schedule 1)	\$ 13,106,663	\$ -	\$ 13,106,663	\$ 12,735,659
Investment income	-	155,575	155,575	193,865
	13,106,663	155,575	13,262,238	12,929,524
Expenses (Schedule 1)	13,653,761	20,551	13,674,312	13,540,512
(Deficiency) excess of revenue over				
expenditures before	(547,098)	135,024	(412,074)	(610,988)
gain (loss) on investments				
Unrealized gain (loss) on investments	-	184,310	184,310	(189,228)
Realized gain (loss) on investments	-	2,414	2,414	(34,751)
(Deficiency) excess of revenue	(547,098)	321,748	(225,350)	(834,967)
over expenditures				
Fund balance, beginning of year	3,419,048	4,332,196	7,751,244	8,586,211
Fund balance, end of year	\$ 2,871,950	\$ 4,653,944	\$ 7,525,894	\$ 7,751,244

See accompanying notes to financial statements.

Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Cash flows from operating activities:		
Deficiency of revenues over expenses	\$ (225,350)	\$ (834,967)
Items not involving cash:		
Amortization	405,203	408,419
Accrued interest	(16,123)	(23,683)
Loss on disposal of capital assets	40,066	23,756
Realized (gain) loss on sale of investments	(2,414)	34,751
Unrealized (gain) loss on investments	(184,310)	189,228
Change in non-cash assets and liabilities:		
Accounts receivable	238,828	151,357
Other receivables	45,537	4,305
Inventory	(12,110)	9,091
Prepaid expenses	(39,637)	8,144
Accounts payable and accrued liabilities	(198,380)	93,056
Deferred revenue	34,783	(1,927)
	86,093	61,530
Investing activities:		
Purchase of capital assets	(333,276)	(681,684)
Proceeds on disposal of capital assets	44,075	36,579
Proceeds on sale of investments	1,315,449	908,242
Purchase of investments	(1,186,259)	(200,000)
Change in restricted cash	(248,091)	(106,849)
	(408,102)	(43,712)
Financing activities:		
Repayment of long-term debt	(101,649)	(32,897)
Issuance of long-term debt	298,000	277,700
	196,351	244,803
(Decrease) increase in cash	(125,658)	262,621
Cash and cash equivalents, beginning of year	264,696	2,075
Cash and cash equivalents, end of year	\$ 139,038	\$ 264,696

See accompanying notes to financial statements.

Notes to Financial Statements

Year ended December 31, 2019

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.

1. Significant accounting policies (continued):

(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.

(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, \$93,844 (2018 - \$94,508) is included in accounts payable and accrued liabilities relating to these amounts. At year end, \$14,455 (2018 - \$36,136) 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.

1. Significant accounting policies (continued):

(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%

(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. 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 (2018 - \$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 \$99,537 of the facility was utilized (2018-\$70,011).

Included with cash is \$648,207 (2018 - \$400,116) in internally restricted funds held in a high-interest savings account earning interest at a rate of 1.85% (2018 - 1.85%).

3. Accounts receivable:

Accounts receivable are net of an impairment allowance of \$32,000 (2018 - \$57,000).

4. Investments:

	2019		2018	
Guaranteed investment certificates	\$	1,111,821	\$	812,758
Bonds and debentures				
Canadian provincial and public authorities		1,678,168		1,675,630
Canadian corporate bonds		-		206,559
Equities				
Preferred shares		56,970		180,272
Common shares		1,158,778		1,056,861
	\$	4,005,737	\$	3,932,080

The guaranteed investment certificates earn interest at a rate ranging between 2.40% - 3.01% (2018 - 2.44% - 2.90%). The Association did not hold any interest-bearing Canadian corporate bonds in 2019 (2018 - 4.83%). The Canadian provincial and public authorities bonds have interest rates between 2.90% - 4.70% (2018 - 2.90% - 4.70%). These investments will mature within a period of 1 - 5 years.

The preferred dividend yields range from 4.90% - 5.20% (2018 - 4.80% - 5.40%). 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).

5. Capital assets:

			2019	2018
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 328,851	\$ -	\$ 328,851	\$ 328,851
Building	3,008,125	1,805,168	1,202,957	1,303,229
Building improvements	121,704	79,856	41,848	54,017
Fafard sculpture	179,686	-	179,686	179,686
Office furniture and equipment	396,229	237,425	158,804	228,710
Automobiles	1,034,825	383,388	651,437	627,679
Data processing	386,825	223,774	163,051	160,530
	\$ 5,456,245	\$ 2,729,611	\$ 2,726,634	\$ 2,882,702

6. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$67,526 (2018 - \$41,704).

7. Deferred revenue:

	2019	2018
Membership fees	\$ 70,023	\$ 72,219
Product and service revenue	36,979	-
	\$ 107,002	\$ 72,219

8. Long-term debt:

	2019	2018
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.	\$ 69,823	\$ 113,771
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.	71,226	95,767
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.	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.	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.	25,999	35,264
	441,153	244,802
Current portion	(177,647)	(77,753)
Long-term portion of debt	\$ 263,506	\$ 167,049

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

2020	\$ 177,647
2021	161,226
2022	102,280
	\$ 441,153

The Association has a \$550,000 term loan credit facility and a \$550,000 revolving lease line of credit with RBC. The total combined borrowings under these two facilities may not exceed \$550,000 at any given time. At year end approximately \$415,154 (2018 - \$209,538) of the term loan facilities was utilized, with no drawings on the lease line of credit (2018 - \$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 \$182,061 (2018 - \$154,470).

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 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 laddered 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. Commitment:

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 2020 is expected to be approximately \$340,000, plus \$21,500 for dairy research.

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, no amounts were transferred from the reserve fund to the operating fund to fund various projects.

13. Comparative figures:

Certain comparative figures have been reclassified where appropriate to conform to the financial statement presentation adopted in the current year.

Schedule 1 – Revenue from Operations and Expenses

Year ended December 31, 2019

Revenue from operations	2019		2018	
Herdbook services	\$	6,855,450	\$	7,171,488
Classification and assessment		5,829,432		5,143,605
Strategic communication		338,885		340,409
Finance and facilities		78,646		80,157
Registrar and field services		4,250		-
	\$	13,106,663	\$	12,735,659
Expenses				
Herdbook services	\$	3,870,894	\$	4,058,752
Classification and assessment		4,625,054		4,521,358
Strategic communication		724,186		722,701
Executive and administration		1,253,312		1,730,441
Business and technology solutions		1,716,476		1,556,262
Finance and facilities		884,465		950,998
Human resources		209,314		-
Registrar and field services		390,611		-
	\$	13,674,312	\$	13,540,312

Human resources and Registrar and field services were included in Executive and administration in 2018.