
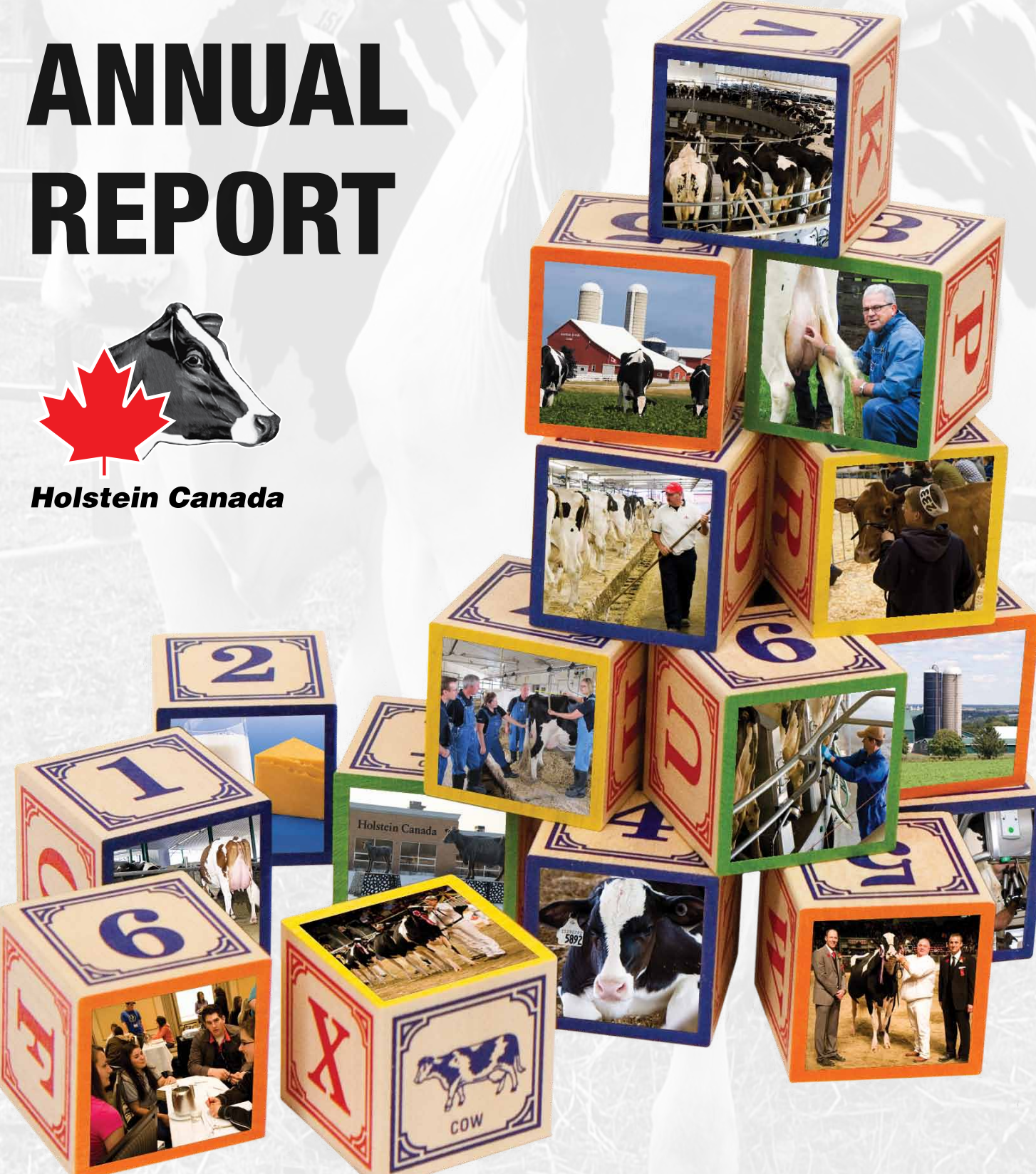


# ANNUAL REPORT



**Holstein Canada**







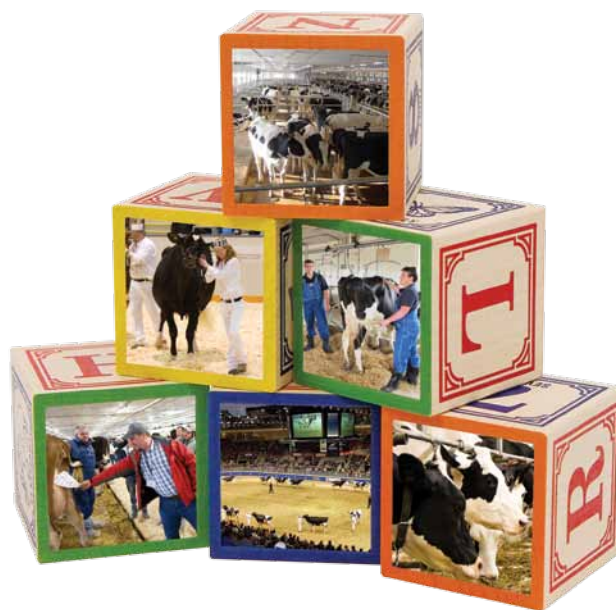
**Holstein Canada**

## Mission Statement

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

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## Supreme Champion 2011 Royal Agricultural Winter Fair

Eastside Lewisdale Gold Missy (Ex-95)



## PRESIDENT'S MESSAGE

Paul MacLeod  
Woodstock, ON



To say that 2011 was an interesting year would be a huge understatement. The year began with members requesting an independent consultant and input in regards to the proposed amalgamation between Holstein Canada and Canadian Dairy Network (CDN). After due process, both boards at Holstein Canada and CDN agreed to not proceed with the amalgamation. Through this process, we were able to meet with many Holstein Canada members, hearing their input on not only the proposed amalgamation but on many other important topics in the industry. The passion and emotion these members show indicates how much they care about the industry and the Association.

**“The passion and emotion these members show indicates how much they care about the industry and the Association.”**

It is important to note that not every good idea is successful the first time it is presented. Keeping that in mind, Holstein Canada will continue to look for future efficiencies and synergies with other organizations. It is this willingness to look for these efficiencies that have allowed Holstein Canada to remain a strong organization after 128 years in business. This is also an essential element for us to remain successful and competitive in the future.

With continuing competition from within the Holstein world, in order to remain a key player in the industry, we need to continue to build the Canadian Holstein cow to be both profitable and efficient, and obviously eye-appealing at the same time. In order to do this, we need to use all the genetic tools available, including genomic evaluations, as we move forward. The more reliability we can realize through trait evaluations, the greater the likeliness of our members breeding better and more profitable cows.

As a dairy industry, we need to expand on our traceability and transfers from herd to herd. To remain in an enviable position in the world with our product and sales, we need to ensure these transfers are done effectively and in a timely manner. With the amount of technology available to our members, one would think this should be easily attainable.

**“We need to continue to build the Canadian Holstein cow to be both profitable and efficient.”**

For the first time in history, the World Holstein Conference will be held in Canada in November. It is a great opportunity to showcase the Canadian Holstein cow and the members that have created her. Please take this opportunity to network with fellow Holstein breeders from around the world. One thing I have learned from my years in the Holstein industry is you can never meet too many good people with a passion for the Holstein cow.

In closing, I would like to first and foremost thank the members of the Holstein Association of Canada — mostly for their time — but also for their input and listening to the Board. I would also like to thank the Board of Directors for the trust and support they have given me during my term as President. I want to thank the dedicated staff at Holstein Canada — I am proud of them. They are great supporters of Holstein Canada members and their goals. I would also like to thank my family. It makes it much easier to be away, when my wife Ellen and my children Jessica (husband Doug), Jared (wife Caitlin), and Kyle are always there to keep the farm running seamlessly. It is to them I owe a great deal of gratitude.



## BOARD OF DIRECTORS' REPORT

Chairman Glen McNeil  
Goderich, ON

The vision of Holstein Canada is *Leadership in Dairy Genetics*. Our mission statement is to 'provide leadership through genetic improvement programs to enhance the profitability for all dairy producers.' The Board of Directors is responsible for setting the vision, values, and goals of the Association.

The Board of Directors of Holstein Canada held five Board meetings in 2011. Three were jointly held with the Canadian Dairy Network (CDN) Board of Directors to direct, protect, and connect with you — the owners. The joint Board meetings provided an opportunity for both Boards to better understand the business of each organization.

The Board of Directors gives serious consideration to all recommendations that come from the various committees that deal with activities of the Association. These committees include but are not limited to: Governance, Audit and Risk, Finance, Classification Advisory, Breed Advisory, Show, and Awards. Key outcomes of discussions held by these committees include enhancements to the type classification scorecard with Thurl Placement becoming an official linear trait; the planning of a Breed Strategy Workshop in conjunction with the 2013 National Holstein Convention in Niagara Falls; reduced frequency of major infractions at the Royal Agricultural Winter Fair; clarification and understanding of the new legislation for the Canada Not-For-Profit Corporations Act; and improved governance policies as well as various quality control measures related to the business of the Association.

The Governance Committee has developed mandates for each committee and they are reviewed prior to respective meetings. The Audit and Risk and Finance Committees oversee the financial well-being of Holstein Canada. The Awards Committee has been expanded to include the Accomplishment Awards. Holstein Canada is committed

to the development and training of National Directors. Specific training areas identified include: governance, strategic planning, goal setting, performance evaluation, and fiduciary responsibilities.

Representatives from Holstein Canada and Holstein USA met during the year to discuss various topics. The most important of which was the establishment of an Official Judges List in the United States. We will continue to have ongoing discussions on this important subject in 2012.

Representatives from Holstein Canada, Semex Alliance, and the Semex Partners met to discuss and clarify the continued young sire incentives and discounts that are allocated to members for classification, milk recording, and data collection. The continued investment in these areas is essential for accurate genetic and genomic evaluations. Your Board will continue to gather information in this area to ensure that all industry partners understand each other's contribution to the genetic improvement of the Canadian Holstein Cow.

The Board approved the establishment of new business alliances and services proposed by management, including the expansion of genotyping services associated with GenoTest and soon to be launched GenOLD programs; price bundling for registered females that are also genotyped before three months of age; and the expansion of Canadian Classification Services to Holsteins in Mexico and Dairy Goats in Canada.

In a desire to develop Genetic Evaluations for Dairy Goats, The Canadian Goat Society (CGS) approached Holstein Canada to inquire if the Association would develop a Dairy Goat Classification System. This initiative has moved forward and our Classifiers are now scoring dairy goats.



The Board approved the development of an All-Breeds Herdbook Registration System. This will enable Holstein Canada to provide registration services for the other dairy breeds. It will also help to improve efficiency through automation. There is potential to increase service quality by integrating multiple breeds into one service provider. This investment should make it easier for us to offer new services and add value to all dairy producers.

Youth development continues to be a priority of Holstein Canada. As part of the 2012 National Convention, Holstein Canada is proud to sponsor a special event for alumni of our Young Adult Program. As well, for the first time ever, Canada will host a World Youth Conference in conjunction with the 2012 World Holstein Conference in Toronto. This is the first time this conference has been held in Canada. We expect to attract many international visitors and proudly showcase our Canadian Holstein genetics.

We would like to express our congratulations to Dr. David Chalack on his induction into The Canadian Agricultural Hall of Fame. Holstein Canada was pleased to provide a letter in support of David's nomination.

Following the joint decision in December 2011 of the Holstein Canada and CDN Board of Directors to discontinue discussions regarding the proposed amalgamation, the Board of Directors of Holstein Canada turned its attention to the recruitment of a new CEO for Holstein Canada. It was deemed best for the Canadian Dairy industry for Brian Van Doormaal to return as the full-time General Manager of CDN. The Holstein Canada Board of Directors, members and staff would sincerely like to thank Brian for his commitment, passion, and innovative leadership at Holstein Canada since July 2010. Many great initiatives began under Brian's leadership. These will continue and be enhanced by our new CEO Ann Louise Carson. The Board of Directors has great confidence in Ann Louise's leadership capabilities and feels very privileged that she has agreed to be the new Holstein Canada CEO effective June 4, 2012.

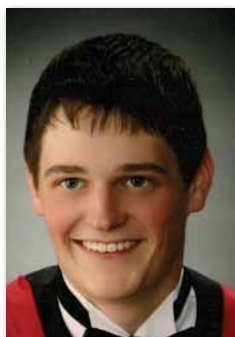
Please be assured that moving forward — and we will — that the Holstein Canada Board of Directors will continue to work diligently on your behalf. The Board of Directors would also like to acknowledge and thank three retiring National Directors — Jean-Albert Fleury representing Eastern Québec, Dale Strudwick representing Manitoba and Saskatchewan, and President Paul MacLeod representing Western Ontario — for their commitment to Holstein Canada.

## 2011 National Board of Directors



(back row, l-r) Dale Strudwick, SK; Orville Schmidt, AB; Paul MacLeod, ON; Richard Bosma, BC; John Buckley, ON  
(front row, l-r) Robert Chabot, Qc; Glen McNeil, ON; Jean-Albert Fleury, Qc; Elyse Gendron, Qc; Mario Perreault, Qc; Ron Sleeth, ON; Harry Van Der Linden, NS

## 2011 EDUCATION AWARD WINNERS



Alex Mackinnon  
Montague, PEI



Christine Breton  
Norbertville, Qc



Annick Michaud  
Saint-Philippe-de-Néri, Qc



Alan Nanne  
Pakenham, ON



Peter Spruit  
Woodstock, ON



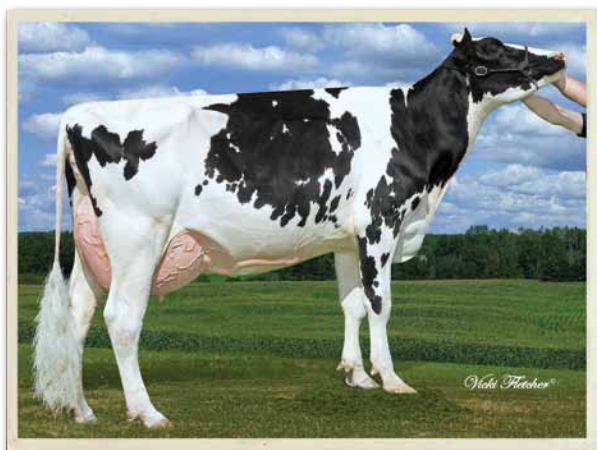
Lorene Vanderwal  
Abbotsford, BC

## CANADIAN CHAMPIONS 2011

Canadian Champions are awarded to Holstein cows (75% pure or higher) that surpass the previous all-time highest performance for milk, fat, protein, or total BCA in her age at calving category.

### New Canadian Champion as a 4-Year-Old for Fat

#### Lilliesdale FBI Charmed (EX-92-CAN)



	Production (kg) 04-05 305	BCA (Deviation)
MILK	21,498	429 (+146)
FAT	1274 (5.9%)	678 (+390)
PROTEIN	661 (3.1%)	411 (+131)
TOTAL		1,518 (+667)

- CANF7826845, Born: 2006 Mar 7
- Breeder & Owner: Leo Baumann & Robert D. Mallette, Lyn, ON

### New Canadian Champion as a 8-Year-Old for Milk

#### Arla Jolt PA Pouse (GP-83-3yr-CAN)

- CANF100487382, Born: 2002 Jan 7
- Breeder & Owner: Conrad Riendeau, St. Cesaire, Qc

	Production (kg) 08-05 305	BCA (Deviation)
MILK	21,586	431 (+117)
FAT	883 (4.1%)	483 (+147)
PROTEIN	706 (3.3%)	450 (+126)
TOTAL		1,364 (+390)

# CHIEF EXECUTIVE OFFICER REPORT

Brian Van Doormaal



As your CEO, I will report on the highlights of the year from an administrative perspective focusing on activity levels and finances. Starting with registration activity, following the all-time record high in 2010, total 2011 registrations of 271,783 are 3% lower than 2010. Of all registrations, 83% are now electronically filed with three provinces having at least 90% of its registrations done by ERA, including Alberta, British Columbia and Manitoba.

Classification activity was significantly above budget this year totalling 251,194 across all breeds, including 235,097 Holsteins. Compared to the all-time high achieved in 2010, this is a decrease of only 1.8%. On a round-by-round basis, however, all provinces except for one experienced increases in classification activity during Round 81 (May 2011 to February 2012) compared to Round 80 (October 2010 to June 2011). Across all breeds, the increase in classified cows from 156,466 in Round 80 to 162,647 in Round 81 represents a 4.0% gain.

Memberships are down slightly to 11,102, which represents a decrease of less than 1%. This is considered an acceptable outcome given the 1.6% loss of dairy producers nationally in 2011. In terms of overall market share, Holstein Canada programs are very well accepted with 72% of all Holstein herds participating in herdbook registration and 66% of all dairy producers taking advantage of the all-breeds classification services. In terms of herds enrolled on milk recording, nearly 90% participate in type classification.

As expected, requests for DNA genotyping of females for genomic evaluations continue to grow. The number of tests completed via Holstein Canada increased from 3,422 in 2010 to 9,829 in 2011. The major factor contributing to this significant increase was the availability of a low density (LD) panel in September 2010 (3,000 markers) and its replacement in October 2011 by a panel with 6,000 markers at the same cost. In 2011 86% of the genotyping requests were completed using a low density panel. In total, there are now over 160,000 Holstein genotypes available at Canadian Dairy Network (CDN) for computing genomic evaluations.

From a financial perspective, the level of participation in terms of animal tagging, registration, membership, classification, and genotyping was sufficient to surpass the budgeted revenue for the Association's operations in 2011 by \$23,937 to total \$11,835,900. At the same time, effective internal management of expenses during the year yielded a total that was \$216,708 less than budgeted at \$11,556,425. Considered together, the year end financial result of operational revenue over expenses was very successful totalling \$279,475, which is \$240,645 higher than the budgeted surplus of \$38,830.

These outstanding business outcomes for 2011 are not the work of any single person or group. It is the result of your dedication and commitment as members, using the various highly valued services provided by the Association, in conjunction with the excellence in customer service and efficient work protocols carried out by Holstein Canada staff. To this end, special mention must be given to the Joint Management Team for Holstein Canada and CDN, which was established in March 2011. I have been fortunate and blessed to work closely with this team of eight quality people, each an expert in their specific area of the Association's business. The open and positive discussions around the management table have created a widespread sense of team spirit and staff morale throughout the entire organization. An important but seldom mentioned area of administration addressed by the management team during 2011 was that of employee compensation in terms of vacation, remuneration, and benefits, to ensure equity and fairness.

The Joint Management Team has also spent significant time throughout the year planning for the future, including the establishment of new programs and closer alliances with various organizations. In terms of field services, the addition of Valérie Tremblay in September 2011 was important for promoting type classification and ensuring data integrity for herdbook registrations. A signed agreement with the Holstein Association of Mexico makes this country the second, after Australia, to implement the Canadian classification system nationally. Following a signed agreement with Ontario Goat and the Canadian



Goat Society, the all-breed classification service provided by Holstein Canada was expanded to include the first dairy goat herd classification in February 2012. Most importantly, to well position Holstein Canada for the future, much thought and planning has gone into maximising the benefit of DNA genotyping and genomics to the Association, its members and the Canadian dairy cattle industry. In addition to offering cost reductions to members who register and genotype heifers before three months of age, the Board of Directors also approved the introduction of the GenOLD program developed and proposed by the Joint Management Team. This program aims to maximize the number of Holsteins recorded in the herdbook with the most complete lineage information possible. Widespread genotyping of Holsteins throughout North America has also led to the discovery of three new "Haplotypes Affecting Fertility", which places Canada and the United States in an ideal position to help breeders control the negative consequences associated with mating carrier animals to each other. All of these concrete achievements during 2011 have been the direct result of expertise and synergies between key staff at Holstein Canada and CDN, with the benefit of members and industry partners being the priority.

In closing, I wish to express sincere appreciation to the visionary leaders that started this incredible, and challenging, journey nearly two years ago. As the common CEO of these two key dairy cattle improvement organizations, I first and foremost want to thank all the staff at Holstein Canada and CDN, especially the Joint Management Team. Through this experience, we have all grown stronger and better with a clear understanding that industry partners must work closely together to be most effective. Thanks also to the two Boards of Directors for your support and the confidence you bestowed upon me during this process of change. Although we did not achieve the original concept of amalgamation, we have undoubtedly achieved great accomplishments and have laid the foundation for further success in the years to come. I sincerely extend my heartfelt best wishes to your next CEO, Ann Louise Carson, and have full confidence in her ability to manage Holstein Canada's business needs and staff on the current road to success.

## 2011 MASTER BREEDERS

Les Fermes Turmel Enrg.	BEAUCOISE	Sainte-Marie-de-Beauce, Qc
Bridgeview Holsteins	BRIDGEVIEW	Brantford, ON
Claude Couture	CANADO	Saint-Bernard-de-Lacolle, Qc
Cityview Holsteins	CITYVIEW	Woodstock, ON
Cobequid Holsteins	COBEQUID	Upper Onslow, NS
Doral Farms Inc.	DORAL	Teeswater, ON
Dubeau	DUBEAU	Sainte-Élisabeth, Qc
Oscar Dupasquier	DUPASQUIER	Guelph, ON
Fraeland Farms	FRAELAND	Fergus, ON
Ferme Micheret inc.	MICHERET	Saint-Zéphirin, Qc
Millbrooke Holsteins	MILLBROOKE	Badjeros, ON
Prairie Diamond Farm	PDF	Balgonie, SK
Pearlome Holsteins	PEARTOME	Hagersville, ON
Penlow Farms	PENLOW	Almonte, ON
Ferme Des-Rosiers	ROSIERS	Saint-François-du-Lac, Qc
Savagedale Farm	SAVAGEDALE	Bradford, ON
Selbyvale Holsteins	SELBYVALE	Selby, ON
Schipper Farms Ltd.	SKIPPER	Aylmer, ON
Jeff, Jim, and Laurie Stanton	STANBRO	Ilderton, ON
Valleycrest Farms	VALLEYCREST	Milton, ON
Elmer Weeks	WEEKSDALE	Breadalbane, PE





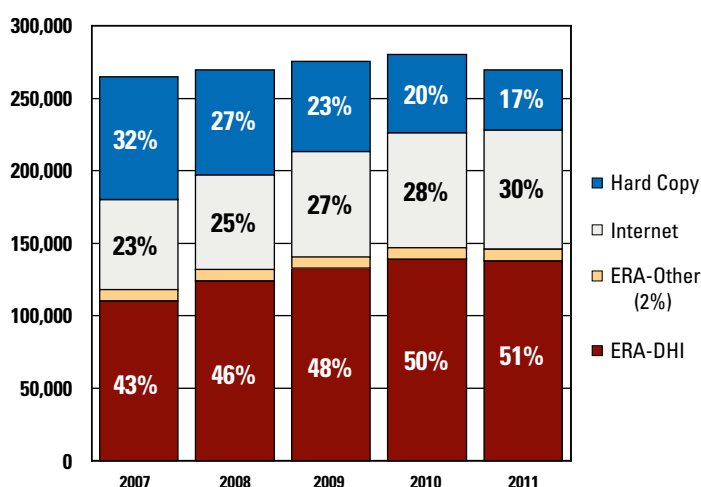
# STATEMENT OF OPERATIONS (comparative by province)

	TOTAL MEMBERSHIPS		PUREBRED REGISTRATIONS		*PERCENTAGE REGISTRATIONS		*RECORDED REGISTRATIONS		TOTAL TRANSFERS	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
ONTARIO	4,042	4,057	76,138	77,259	17,965	19,862	2,612	2,992	10,942	11,791
QUEBEC	5,122	5,175	82,011	84,248	15,050	16,745	2,070	1,972	14,184	13,746
NEW BRUNSWICK	193	198	3,908	3,894	941	827	225	258	392	321
NOVA SCOTIA	211	219	4,335	4,235	544	689	120	75	480	462
NEWFOUNDLAND	18	17	343	374	1,824	975	38	50	42	332
PRINCE EDWARD ISLAND	178	187	3,650	3,735	553	535	60	107	719	800
MANITOBA	282	285	7,203	7,293	2,595	2,802	1,041	908	1,018	1,191
SASKATCHEWAN	138	153	4,751	4,820	1,383	1,716	259	296	893	788
ALBERTA	504	494	17,226	17,058	5,920	6,397	1,004	1,151	2,549	3,189
BRITISH COLUMBIA	410	416	12,713	12,880	4,190	4,936	1,111	1,069	1,256	1,295
INTERNATIONAL	4	4	0	0	0	0	0	0	380	434
TOTAL	11,102	11,205	212,278	215,796	50,965	55,484	8,540	8,878	32,855	34,349

## CLASSIFICATION ACTIVITY

	2007	2008	2009	2010	2011
REGULAR	12,445	13,160	12,318	13,755	12,864
MID-ROUNDS	4,211	3,924	4,804	4,828	4,918
SPECIALS	9	1	10	6	6
HOLSTEIN ANIMALS	226,115	220,606	225,839	239,651	235,097
OTHER BREED ANIMALS	14,053	14,724	14,583	16,250	16,097
TOTAL ANIMALS	240,168	235,330	240,422	255,901	251,194

## SUMMARY OF REGISTRATIONS BY SOURCE



## CLASSIFICATION ACTIVITY BY PROVINCE

	ROUND 80 - OCT'10 - JUN'11				ROUND 81 - MAY'11 - FEB'12			
	REGULAR HERDS	MID-ROUND HERDS	HOLSTEIN ANIMALS	OTHER BREED ANIMALS	REGULAR HERDS	MID-ROUND HERDS	HOLSTEIN ANIMALS	OTHER BREED ANIMALS
BRITISH COLUMBIA	289	123	8,921	287	285	125	9,856	431
ALBERTA	308	156	9,787	301	307	160	10,537	311
SASKATCHEWAN	84	51	3,124	65	81	48	3,743	84
MANITOBA	172	78	4,894	185	172	79	5,188	231
ONTARIO	2,603	1,182	51,237	3,485	2,549	1,170	52,181	3,560
QUEBEC	4,329	1,377	60,172	4,934	4,214	1,392	61,828	5,237
NEW BRUNSWICK	124	48	2,480	254	121	44	2,530	275
PRINCE EDWARD ISLAND	108	62	2,422	82	115	70	2,592	109
NOVA SCOTIA	140	83	3,443	164	136	76	3,369	164
NEWFOUNDLAND	6	2	228	1	8	2	421	0
ALL	8,163	3,162	146,708	9,758	7,988	3,166	152,245	10,402

# ACTION TAKEN FROM 2011 RESOLUTIONS

## 1. MILK PRODUCERS SHOULD BE COMPENSATED FOR DATA

Submitted by: New Brunswick Holstein Branch

"Whereas Canadian Milk Producers collect and pay for data on calf registration, milk recording and type classification, which is used by AI industry to obtain type, production, reliability and health traits on dairy sires; and

Whereas the cost of milk recording is increasing, usage incentives from AI are decreasing and the cost of semen from sires with high proofs is prohibitive for the average milk producer;

Therefore be it resolved that Holstein Canada negotiate with the AI industry for a formula that pays milk producers for their registration, milk recording and type classification data on all sires."

**The Board of Directors agreed that staff should arrange a consultative meeting with members of the A.I. sector to discuss this resolution and determine an efficient way of explaining the current situation and associated A.I. investments to the membership. A meeting involving the Semex Alliance partners was held in February while consultation with other companies is still ongoing.**

## 2. SHOWMANSHIP COMPETITION AT THE ROYAL

Submitted by: Ontario Holstein Branch

"Whereas the Holstein Show at the Royal Winter Fair is a showcase to the world of our best animals and breeders; and

Whereas the most important part of our future is our youth and we should take this time to showcase the showmanship ability of them to both the national and international crowd; and

Whereas having this as an open competition allows participation of youth who did not qualify for their county Canadian Classic Junior Dairy team; and

Whereas having this at the time of the open show allows for inclusion of some international youth;

Therefore be it resolved that a National Open Showmanship Competition be held during the Royal at the time of the Holstein Show."

**The Manager of Market Development & Communications responded in writing to the Ontario Holstein Branch advising that the President's Cup Award would be maintained and presented to the Grand Champion show person during the Canadian 4-H Dairy Classic Show at the Royal Agricultural Winter Fair.**

## 3. HOLSTEIN CANADA JUNIOR MEMBERSHIP PROGRAM

Submitted by: Ontario Holstein Branch

"Whereas the Junior Membership Program from Holstein Canada gives an opportunity for young Holstein enthusiasts to have individual recognition when purchasing or breeding cattle; and

Whereas a prefix must be obtained by the junior members for their own personal use; and

Whereas some families wish to have only one prefix on their farm to take advantage of awards such as Master Breeder and Premier Breeder at shows; and

Whereas the junior member has aspirations to become a part of the family operation in the future where they would continue to breed under the family's prefix;

Therefore be it resolved that the Junior Membership Program from Holstein Canada should allow the use of the family's prefix for the junior member to use and have their initials follow that prefix to identify animals that they have bred from purchases that they have made and continue the family's goal towards breeding awards."

**Staff has responded in writing to the Ontario Holstein Branch advising that Holstein Canada would be conducting a more detailed and thorough study of addressing this issue in order to achieve the most satisfactory result.**

## 4. RECOGNIZING COWS THAT HAVE A TOTAL OF THREE CONSECUTIVE SUPERIOR LACTATIONS

Submitted by: Québec Holstein Branch

"Whereas the Super 3 class is to honour cows that have a total of three consecutive Superior Lactations; and

Whereas a cow can obtain more than 3 consecutive Superior Lactations;

Therefore be it resolved that Holstein Canada highlight cows that obtain more than 3 consecutive Superior Lactations and that they be recognized by stating the exact number (example: Super 4 and Super 5)."

**The Board of Directors accepted this resolution and instructed that staff implement the recognition of cows that obtain more than three consecutive Superior Lactations (i.e.: Super 4, Super 5, etc.).**



## 5. RECOGNIZING MULTI-LACTATION COWS

Submitted by: Québec Holstein Branch

"Whereas there is a strong emphasis on health, fertility and the longevity of a cow; and

Whereas cows with many lactations are penalized by the LPI; and

Whereas these are the profitable cows in our barns;

Therefore be it resolved that we consider finding ways to recognize cows with several lactations."

**The Board of Directors agreed to forward this resolution to the Awards Committee that was already mandated to review the Master Breeder Award calculations in a manner that gives more recognition to cows with many lactations and longevity.**

## 6. RECOGNITION OF THE OFFICIAL BREED REGISTRATION WITH PHOTO OR SKETCH AS AN ALTERNATIVE MEANS OF OFFICIAL IDENTIFICATION ON ATQ/MAPAQ/NLID SITES OF PRODUCTION

Submitted by: Québec Holstein Branch

"Whereas the existing tag system has serious difficulties with retention problems and more than one out of two cows loses one or more tags as mature animals; and

Whereas corrective actions are slow in being met and preliminary results show only a slight improvement and that they are useless for the tags already in circulation; and

Whereas there is no way to conform at all times to the identification ruling when an animal loses both tags and that we want to maintain the unique registration number; and

Whereas the official registration with photo or sketch is an animal's foolproof and proven means of identification and contains the main information: identification, date of birth, sex, breeder, owner, etc.;

Therefore be it resolved that MAPAQ recognize the official breed registration with photo or sketch as an alternative means of official identification on the production site and take the necessary measures to change the ruling; and

That Agri-Traçabilité Québec recognize the official breed registration with photo or sketch as an alternative means of official identification on the production site and take the necessary measures to change the ruling; and

That FPLQ (Québec Federation of Dairy Producers) lobby MAPAQ to change the ruling to allow the recognition of the official breed registration with photo or sketch as an alternative means of official identification on the production site; and

That FPBQ (Québec Federation of Beef Producers) lobby MAPAQ to change the ruling to allow the recognition of the official breed registration with photo or sketch as an alternative means of official identification on the production site; and

That Holstein Québec's Board of Directors adopt a similar resolution; and

That Holstein Canada's Board of Directors adopt a similar resolution."

**The Board of Directors instructed management to communicate with Le Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec (MAPAQ), Agri-Traçabilité Québec, Québec Federation of Dairy Producers (FPLQ), and Québec Federation of Beef Producers (FPBQ) to encourage their acceptance of the intent of the resolution for the recognition of the official breed registration with photo or sketch as a temporary alternative means of official identification.**

## 7. LOBBYIST

Submitted by: Ontario Holstein Branch

"Whereas the export market for Canadian dairy cattle has been greatly affected by the discovery of BSE in 2003; and

Whereas the ability to sell excess cattle inventory on a dairy farm can positively increase profits towards the operation; and

Whereas the value of registered Holsteins increases when there is international demand for these kind of genetics; and

Whereas it is the mandate of Holstein Canada to promote Canadian genetics to international markets for live cattle or frozen genetics;

Therefore be it resolved that Holstein Canada hire a lobbyist dedicated to aggressively influence Canadian government officials to remove export barriers to international cattle markets as this will promote and secure the best interests of breeders and owners of Holstein cattle in Canada."

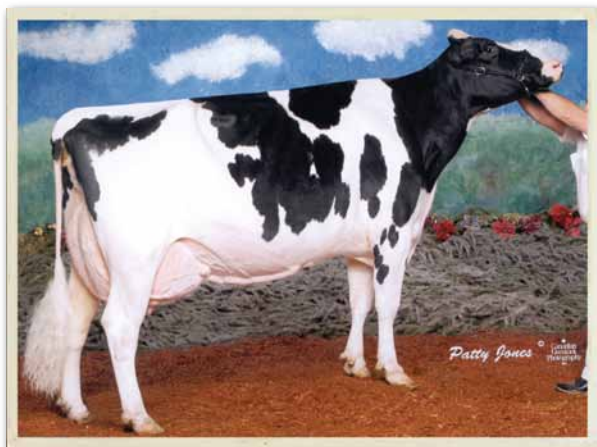
**The Board of Directors instructed management to research the options available to achieve the intent of the resolution with the objective of drafting a detailed proposal for consideration of the Holstein Canada Board of Directors in 2012.**

## GENOMIC TESTING



Genomic Testing	2010	2011
Low density (3K/6K)	1,484	8,454
50K	1,938	1,375
Total	3,422	9,829

## 2010 COW OF THE YEAR (presented in 2011)



### Lindenoord Rudolph Lilac EX-96-3E 8\* (11/30)

- Breeder: Lindenoord Holsteins, Heatherton, NS
- Owner: Ferme Rolandale Enr., Saint-Flavien, Qc
- Best 305: 8yr. 15,443 kg M 556 kg F 3.6% 478 kg P 3.1%  
BCAs 314 307 306 Dev. +99 +91 +87
- Lifetime: 5 lacts. 83,607 kg M 3,032 kg F 3.6% 2,676 kg P 3.2%  
Average BCAs 282 275 279
- 1 Super 3, 3 Superior Lactations HM AA 4-yr.-old, HM AC and All-Québec Sr. 3-yr.-old, 4-yr.-old, 5-yr.-old AC Mature Cow

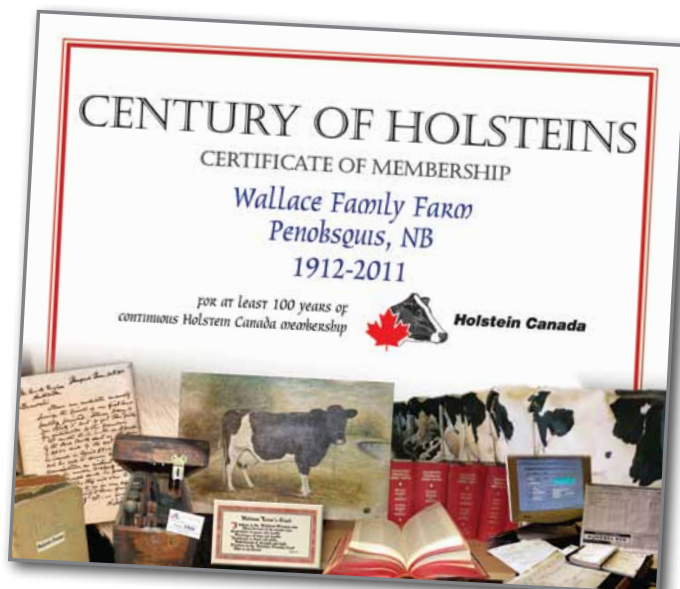
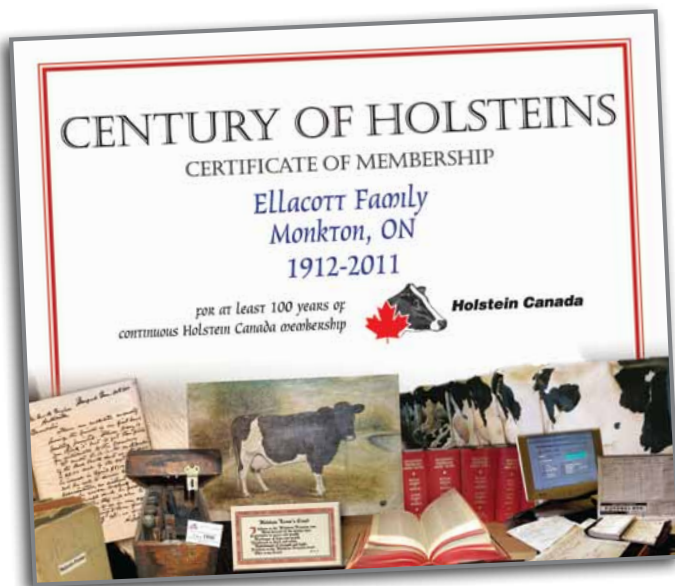
## 2011 CENTURY OF HOLSTEINS AWARD

*Ellacott Family*

Monkton, ON  
1912 - 2011

*Wallace Family Farm*

Penobsquis, NB  
1912 - 2011





# SCHEDULE OF REVENUE AND EXPENSES

DEPARTMENT	REVENUE		EXPENSES		EXCESS / (DEFICIT)	
	2011	2010	2011	2010	2011	2010
HERDBOOK & GENOTYPING	\$5,045,237	\$5,201,357	\$2,224,289	\$2,184,109		
CLASSIFICATION	5,052,767	5,137,963	3,302,687	3,420,406		
MARKETING	289,357	289,751	906,282	928,467		
NLID	1,366,304	1,351,291	1,326,971	1,361,792		
BOARD & EXECUTIVE	0	0	1,211,393	1,170,286		
ADMINISTRATION	82,235	54,121	1,150,420	985,807		
INFORMATION TECHNOLOGY	0	0	1,056,373	975,019		
DEPRECIATION	0	0	378,013	411,273		
	\$11,835,900	\$12,034,483	\$11,556,428	\$11,437,159	\$279,472	\$597,324



# FINANCIAL REPORT 2011

## Rhonda Morley, Chief Financial Officer

Holstein Canada maintained a strong financial position throughout the year and reported an Operating Fund surplus of \$279,472 for 2011.

As expected, operating revenue of \$11.8 million decreased slightly compared to last year. This was a reflection of a decrease in activity of the core services such as registrations, transfers, classifications and herd visits. Junior memberships increased by 3% during the year; however the overall number of memberships declined by 1% as predicted.

Operating expenses increased by 1% over last year for a total of \$11.5 million. Salary and benefit expenses grew by 3% due to variations in staff numbers and annual increases related to payroll costs. Also, the Association incurred additional expenses during the year to hold nine member input sessions across Canada.

At year end, Holstein Canada's Reserve Fund consisted of a \$6.77 million investment portfolio. In an effort to minimize the degree of risk, investments were diversified among three broad categories: Cash, which included bank certificates; Equities, which included common shares and managed funds; and, Fixed Income, which included bonds and preferred shares. The annualized rate of return for the portfolio was 6.85% at the end of 2011.

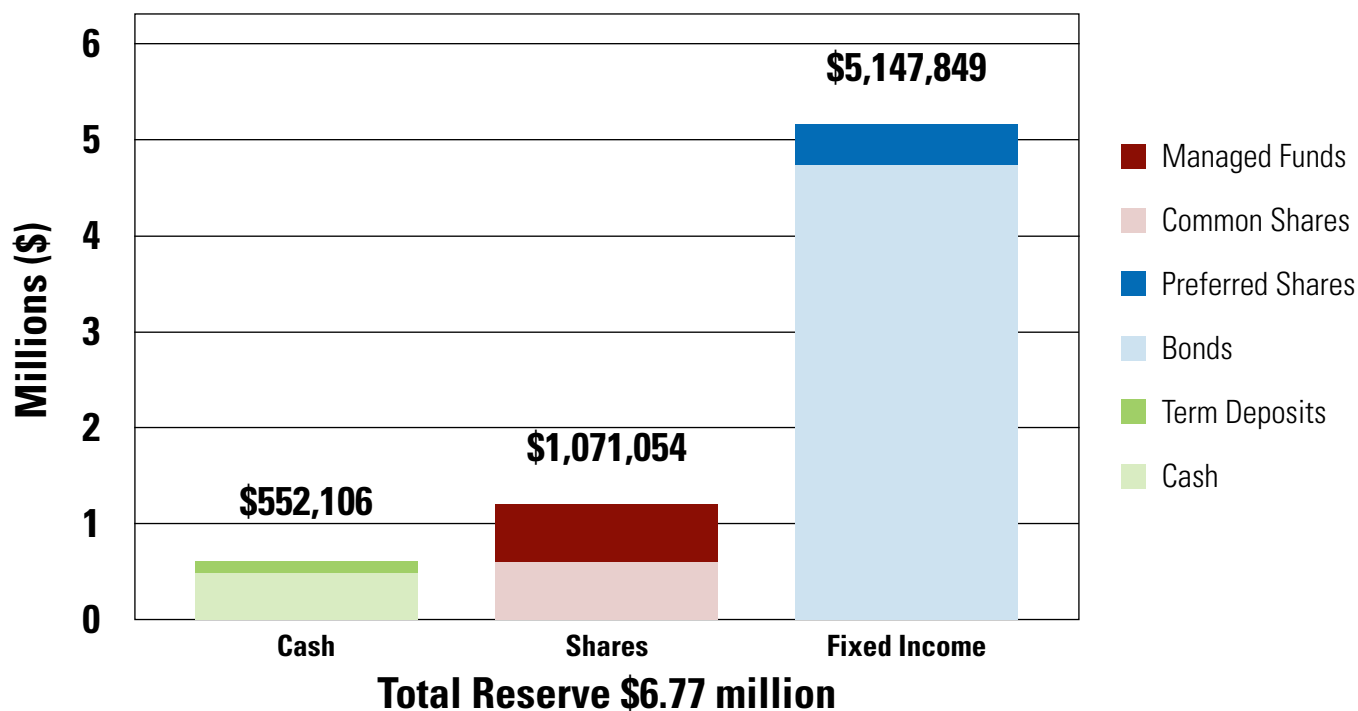
Holstein Canada was selected to host the 2012 World Holstein Conference and a separate fund was established to record the related transactions. \$30,274 remained in the fund at year end.

The Association used \$26,192 from the Development Fund to sponsor the 2012 World Holstein Conference and to support a herd recruitment and retention initiative. At the end of 2011, the fund balance totaled \$473,813.

### The Year Ahead

The Association expects modest growth next year and has budgeted increases in herdbook, genotyping, and classification services for 2012. Operating revenues and expenses are expected to be higher as a result of the increased activity. The strategy for the Reserve Fund is to invest in high-rated, high-quality securities that offer steady returns without jeopardizing the capital investment. The Association's financial strength is founded on sound, pertinent business practices which allow us to offer services and programs of benefit to our customers and members.

## RESERVE FUND INVESTMENTS





# STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

Year ended December 31, 2011

	OPERATING FUND	RESERVE FUND	DEVELOPMENT FUND	CONFERENCE FUND	TOTAL 2011	TOTAL 2010
<b>REVENUES</b>						
Income from Operations	\$ 11,799,349				<b>\$ 11,799,349</b>	\$ 12,013,556
Investment Income (Note 9)	36,548	\$ 272,750	\$ 5		<b>309,303</b>	319,866
Other Income				\$ 27,038	<b>27,038</b>	
	11,835,897	272,750	5	27,038	<b>12,108,652</b>	12,333,422
<b>EXPENSES</b>	11,556,425		1,192	40,063	<b>11,597,680</b>	11,474,621
Excess of Revenues Over Expenses	279,472	272,750	(1,187)	(13,025)	<b>538,010</b>	858,801
Transfer from Reserve to Development		(36,847)	36,847		<b>0</b>	0
Transfer from Development to Conference			(25,000)	25,000	<b>0</b>	0
Fair market value adjustment (Note 9)		(58,833)			<b>(58,833)</b>	62,909
Fund Balances, Beginning	5,889,265	6,593,940	463,153	18,299	<b>12,964,657</b>	12,042,947
Fund Balances, Ending	\$ 6,168,737	\$ 6,771,010	\$ 473,813	\$ 30,274	<b>\$ 13,443,834</b>	\$ 12,964,657

# STATEMENT OF FINANCIAL POSITION

As at December 31, 2011

	OPERATING FUND	RESERVE FUND	DEVELOPMENT FUND	CONFERENCE FUND	TOTAL 2011	TOTAL 2010
<b>CURRENT ASSETS</b>						
Cash and Bank (Note 3)	\$ 738,923	\$ 451,775	\$ 173,681	\$ 30,274	<b>\$ 1,394,653</b>	\$ 1,659,217
Temporary Investments (Note 4)	1,854,782	100,333	300,132		<b>2,255,247</b>	1,731,556
Accounts Receivable (Note 5)	1,247,527				<b>1,247,527</b>	1,323,785
Other Receivables	77,179				<b>77,179</b>	73,773
Inventory	19,080				<b>19,080</b>	29,618
Prepays	115,175				<b>115,175</b>	139,237
	4,052,666	552,108	473,813	30,274	<b>5,108,861</b>	4,957,186
<b>INVESTMENTS</b>						
Reserve Fund (Note 6)		6,218,902			<b>6,218,902</b>	6,042,450
<b>CAPITAL ASSETS (Note 7)</b>	3,066,316				<b>3,066,316</b>	3,085,270
	\$ 7,118,982	\$ 6,771,010	\$ 473,813	\$ 30,274	<b>\$ 14,394,079</b>	\$ 14,084,906
<b>CURRENT LIABILITIES</b>						
Accounts Payable & Accrued Liabilities	\$ 950,245				<b>\$ 950,245</b>	\$ 1,120,249
<b>FUND BALANCES</b>						
Invested in Capital Assets	3,066,316				<b>3,066,316</b>	3,085,270
Unrestricted	3,102,421	6,771,010	473,813	30,274	<b>10,377,518</b>	9,879,387
	6,168,737	6,771,010	473,813	30,274	<b>13,443,834</b>	12,964,657
	\$ 7,118,982	\$ 6,771,010	\$ 473,813	\$ 30,274	<b>\$ 14,394,079</b>	\$ 14,084,906

# STATEMENT OF CASH FLOWS

Year ended December 31, 2011

	2011					2010				
	Operating Fund	Reserve Fund	Development Fund	Conference Fund	TOTAL	Operating Fund	Reserve Fund	Development Fund	Conference Fund	TOTAL
<b>CASH FROM OPERATING ACTIVITIES</b>										
Excess (deficiency) of revenue over expenses	\$ 279,472	\$ 272,750	\$ (1,847)	\$ (13,025)	\$ 538,010	\$ 597,323	\$ 298,813	\$ (11,847)	\$ (25,488)	\$ 858,801
Items not affecting cash										
Accrued Interest	(33,522)		(132)		(33,654)					
Amortization of capital assets	378,013				378,013	411,273				411,273
(Gain) / Loss on disposal of capital assets	12,083				12,083	5,004				5,004
(Gain) / Loss on sale of investments		(591)	(127)		(464)	(6,188)	(23,781)			(29,969)
Amortization of premiums / discounts on held to maturity investments		9,848			9,848	(11,326)	8,792	(127)		(2,661)
	636,046	282,007	(1,192)	(13,025)	903,836	996,086	283,824	(11,974)	(25,488)	1,242,448
(Changes) in non-cash working capital	(62,345)		(207)		(62,552)	131,901	3,323	(7,010)		128,214
Net cash provided by (used in) operating activities	573,701	282,007	(1,399)	(13,025)	841,284	1,127,987	287,147	(18,984)	(25,488)	1,370,662
<b>INVESTING ACTIVITIES</b>										
Additions to capital assets	(414,142)				(414,142)	(167,731)				(167,731)
Proceeds on disposal of capital assets	43,000				43,000	20,000				20,000
Proceeds on sale of investments	1,373,067	859,650	300,000		2,532,717	956,234	656,218	300,000		1,912,452
Investment purchases	(1,941,500)	(1,025,923)	(300,000)		(3,267,423)	(941,500)	(625,915)	(600,000)		(2,167,415)
Interfund transfers		(36,847)	11,847	25,000	0	(370,912)	(107,217)	453,129	25,000	0
Net cash used in investing activities	(939,575)	(203,120)	11,847	25,000	(1,105,848)	(503,909)	(76,914)	153,129	25,000	(402,694)
<b>INCREASE/(DECREASE) IN CASH AND BANK</b>	(365,874)	78,887	10,448	11,975	(264,564)	624,078	210,233	134,145	(488)	967,968
CASH AND BANK, BEGINNING OF YEAR	1,104,797	372,888	163,233	18,299	1,659,217	480,719	162,655	29,088	18,787	691,249
<b>CASH AND BANK, END OF YEAR</b>	\$ 738,923	\$ 451,775	\$ 173,681	\$ 30,274	\$ 1,394,653	\$ 1,104,797	\$ 372,888	\$ 163,233	\$ 18,299	\$ 1,659,217



# NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2011

## 1. PURPOSE OF THE ORGANIZATION

The Holstein Association of Canada 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 and accordingly is not taxable by virtue of Section 149 (1)(e) of the Income Tax Act.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Holstein Association of Canada have been prepared in accordance with generally accepted accounting principles, and reflect the following policies:

### Fund Accounting

The Association follows the deferral method of accounting for contributions.

Revenues and expenses related to service delivery and administrative activities are reported in the Operating Fund.

The Reserve Fund reports assets, liabilities and revenues and expenses needed to provide for future contingencies.

The Development Fund reports assets, liabilities and revenues and expenses needed for special projects and business development.

The Conference Fund reports assets, liabilities and revenues and expenses needed for the 2012 World Holstein Conference.

### Revenue Recognition

The Association recognizes revenue as services are rendered.

Membership fee revenue represents annual membership fees paid by the Association's members. The Association recognizes membership fee rateably over the term of the membership and any unearned portion is included in accounts payable & accrued liabilities.

### Contributions Receivable

Contributions receivable are recognized as an asset when the amounts to be received can be reasonably estimated and ultimate collection is reasonably assured.

### Inventory

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

### Financial Instruments

The Association utilizes various financial instruments which include cash, accounts receivable, temporary and long-term investments, and accounts payable. Unless otherwise noted, it is management's opinion

that the Association is not exposed to significant interest, currency or credit risks arising from these financial instruments and the carrying amounts approximate fair values.

All transactions related to financial instruments are recorded on a settlement date basis.

The Association classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired. The Association's accounting policy for each category is as follows:

#### Held for trading

This category is comprised of cash and bank which is carried in the balance sheet at fair value.

#### Held-to-maturity investments

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Association's management has the positive intention and ability to hold to maturity and comprises certain investments in debt securities, GIC's and T-Bills. These assets are initially recognized at fair value and subsequently carried at amortized cost, using the effective interest rate method, less any provision for impairment. Transaction costs related to held-to-maturity investments are included in the amount initially recognized.

#### Available-for-sale investments

Non-derivative financial assets not included in the above category are classified as available-for-sale and comprise certain investments in equity instruments. All such instruments have a quoted market price in an active market and are carried at fair value with changes in fair value recognized as a separate component of the fund balance. Where a decline in the fair value is determined to be other than temporary, the amount of the loss is removed from the fund balance and recognized in the statement of operations and changes in fund balances. Transaction costs related to available-for-sale investments are included in the amount initially recognized.

#### Loans and receivables and other financial liabilities

Loans and receivables include accounts receivable and other financial liabilities include accounts payable. These assets and liabilities are initially measured at their fair market values and subsequently carried at amortized cost which approximates fair value due to their short term nature. Transaction costs are expensed as incurred.



## Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

## Foreign Currency Translation

At the transaction date, each asset, liability, revenue or expense is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year end, monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at that date and the resulting foreign exchange gains and losses are included in income in the current year.

## Cash and Cash Equivalents

The Association considers all highly liquid financial instruments purchased with an original maturity of three months or less to be cash equivalents which are recorded at cost, including accrued interest, which approximates market value. There were no cash equivalents included in short term investments at December 31, 2011.

## Relationship with Provincial Branches

Each member of the Association is charged an annual membership fee and a levy that is invoiced and collected by the Association and are remitted to the provincial branches pursuant to the by-laws of the Association. Any unpaid amounts at year end are included in accounts payable and accrued liabilities.

## 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.

## Capital Assets

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

	Composite Rates	Method
Building	30 yr.	Straight-line
Sculptures		
Office furniture and equipment	20%	Straight-line
Automobiles	30%	Declining-balance
Data processing	3-5 yr.	Straight-line

Also included in capital assets is a Fafard Sculpture. This asset is not depreciated as it is considered to be a work of art.

## Recent Accounting Pronouncements

In December 2010, the Accounting Standards Board (AcSB) and Public Sector Accounting Board (PSAB) issued new standards for not-for-profit organizations (NPOs) as follows:

For non-government (private sector) NPOs, they have a choice of:

1. International Financial Reporting Standards ("IFRS") or
2. Accounting Standards for NPOs (which is essentially the Accounting Standards for Private Enterprises with the current 4400 series of NPO specific standards added with some minor changes).

The Boards require NPOs to adopt their respective standards for year ends beginning on or after January 1, 2012; early adoption is allowed. Until the date of transition to the new standards, all NPOs will continue to follow the current Canadian Institute of Chartered Accountants Handbook – Accounting Part V – Pre-Changeover Standards.

## Inter-fund Transfers

Inter-fund transfers represent amounts set aside to fund specific development projects and the 2012 World Holstein Conference. The Board of Directors approved the transfer of all amounts for the December 31, 2011 year end.

## 3. CASH AND BANK

The Association's bank accounts are held at one chartered bank. The bank accounts earn interest at average rate of 0.35 % per annum.

## 4. TEMPORARY INVESTMENTS

Held to maturity investments:	2011	2010
GIC's, due between February 16, 2012 and December 3, 2013, with interest rates between 1.50% and 4.45%	\$1,448,022	\$1,429,181
Ontario savings bonds, due June 21, 2014, variable interest	303,937	302,375
Ontario savings bonds, due June 21, 2016, variable interest	503,288	-
	<u>\$2,255,247</u>	<u>\$1,731,556</u>

## 5. ACCOUNTS RECEIVABLE

A significant portion of the Association's trade accounts receivable are to individuals/organizations in the agricultural industry and, as such, the Association is exposed to all the risks of that industry.

## 6. LONG-TERM INVESTMENTS - RESERVE FUND

Held to maturity investments:	2011	2010
Bonds and debentures		
Government of Canada	\$202,416	\$203,045
Canadian provincial and public authorities	2,538,124	2,232,408
Canadian corporate	2,021,566	2,119,962
	4,762,106	4,555,415
Available for sale investments:		
Preferred Shares	385,743	359,301
Equities	553,835	569,395
Managed Equities	517,218	558,339
	\$6,218,902	\$6,042,450

### Bonds and Debentures

The Government of Canada bonds have a cost of \$204,860 (2010 - \$204,860), a fair value of \$202,416 (2010 - \$203,045) and an interest rate of 4.50% (2010 - 4.50%). This investment will mature within 2-5 years.

The Canadian provincial and public authorities bonds have a cost of \$2,555,231 (2010 - \$2,245,511), a fair value of \$2,538,124 (2010 - \$2,232,408) and interest rates of 3.50%-6.00% (2010 - 3.70%-6.00%). These investments will mature as follows: \$809,518 within 2 to 5 years and \$1,728,606 after 5 years.

The Canadian corporate bonds have a cost of \$2,045,138 (2010 - \$2,140,548), a fair value of \$2,021,566 (2010 - \$2,119,962) and interest rates of 4.10%- 8.30% (2010 - 4.10%-8.30%). These investments will mature as follows: \$200,888 within 1 year, \$602,472 within 2 to 5 years and \$1,218,206 after 5 years.

### Preferred Shares

The preferred shares have a cost of \$363,264 (2010 - \$363,980) and a fair value of \$385,743 (2010 - \$359,301). The preferred dividend yields range from 4.75%-6.00% (2010 - 4.75%-6.00%).

### Equities

The equities consist of common shares with a cost of \$602,530 (2010 - \$574,967) and a fair value of \$553,835 (2010 - \$569,395). The shares have no fixed maturity dates and are generally not exposed to interest rate risk. Dividends are generally declared on an annual basis.

### Managed Equities

These equity pools have a cost of \$555,255 (2010 - \$552,797) and a quoted market value of \$517,218 (2010 - \$558,339).

## 7. CAPITAL ASSETS

ASSET	2011			2010		
	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE
Land	\$328,851		\$328,851	\$328,851		\$328,851
Building	3,008,125	\$ 1,002,884	2,005,241	3,008,125	\$902,584	2,105,541
Fafard Sculpture	177,525		177,525	177,525		177,525
Office furniture and equipment	1,282,625	1,257,872	24,753	1,269,112	1,249,730	19,382
Automobiles	811,599	382,075	429,524	831,155	416,470	414,685
Data processing	4,265,316	4,164,894	100,422	4,080,189	4,040,903	39,286
TOTALS:	\$9,874,041	\$6,807,725	\$3,066,316	\$9,694,957	\$6,609,687	\$3,085,270

## 8. PENSION PLAN

The Association maintains a defined contribution pension plan for all employees whereby it will match employee contributions up to a maximum of 5% of salary. The pension expense for the year was \$189,267 (2010 - \$211,627).

## 9. INVESTMENT INCOME

The operating fund investment income is comprised of interest income from a bank account in the amount of \$2,967 and interest income in the amount of \$33,581 on held to maturity investments.

The reserve fund investment income is comprised of interest income in the amount of \$282,008 net of amortization of bond premiums in the amount of \$9,258 on bonds classified as held to maturity.

The development fund investment income is comprised of interest income in the amount of \$5 on held to maturity investments.

For available for sale investments held in the reserve fund, the total amount of the loss recognized to adjust these investments to fair market value at year end is \$58,833 and has been included in the reserve fund statement of operations and changes in fund balances.

## 10. FINANCIAL INSTRUMENT RISK EXPOSURE AND MANAGEMENT

Management has established policies and procedures to manage risks related to financial instruments, with the objective of minimizing any adverse effects on financial performance. A brief description of management's assessments of these risks is as follows:

### (a) General Objective, Policies and Processes:

The Board and management are responsible for the determination of the Association's risk management objectives and policies and designing operating processes that ensure the effective implementation of the objectives and policies. In general, the Association measures and monitors risk through the preparation and review of monthly reports by management.

### (b) Credit Risk:

Financial instruments potentially exposed to credit risk include cash and cash equivalents, 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 and cash equivalents to be remote as the Association holds cash deposits at one major Canadian bank. Accounts receivable are not concentrated significantly and therefore the carrying amount of accounts receivable represents the maximum credit risk exposure.

### (c) Interest Rate Risk:

The Association is exposed to interest rate risk arising from fluctuations in interest rates depending on prevailing rates at renewal of investments. To manage interest rate exposure, the Association invests in fixed income vehicles backed by chartered banks, municipal, provincial and federal governments.

### (d) 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.

### (e) 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.

## 11. CAPITAL MANAGEMENT

The Association considers its capital to be comprised of its net assets and deferred contributions. The Association is in compliance with all its externally imposed capital requirements.

The Association manages capital to safeguard the organization's ability to operate and to meet its financial obligations as they become due.

## 12. COMPARATIVE AMOUNTS

Certain figures in the comparative amounts have been restated to conform with the current year's presentation.

## 13. CASH FLOW SUPPLEMENTARY INFORMATION

Changes in Working Capital	2011	2010
Accounts Receivable	\$ 76,258	\$ (84,516)
Other Receivables	(3,406)	(25,703)
Inventory	10,538	(15,620)
Prepaid	24,062	(16,757)
Accounts Payable	(170,004)	270,810
Net Change	\$ (62,552)	\$ 128,214

Excluded from the statement of cash flows is a non cash item of \$58,834 that relates to the fair market value adjustment required to record the equity investments at market value.