



2022

ANNUAL REPORT

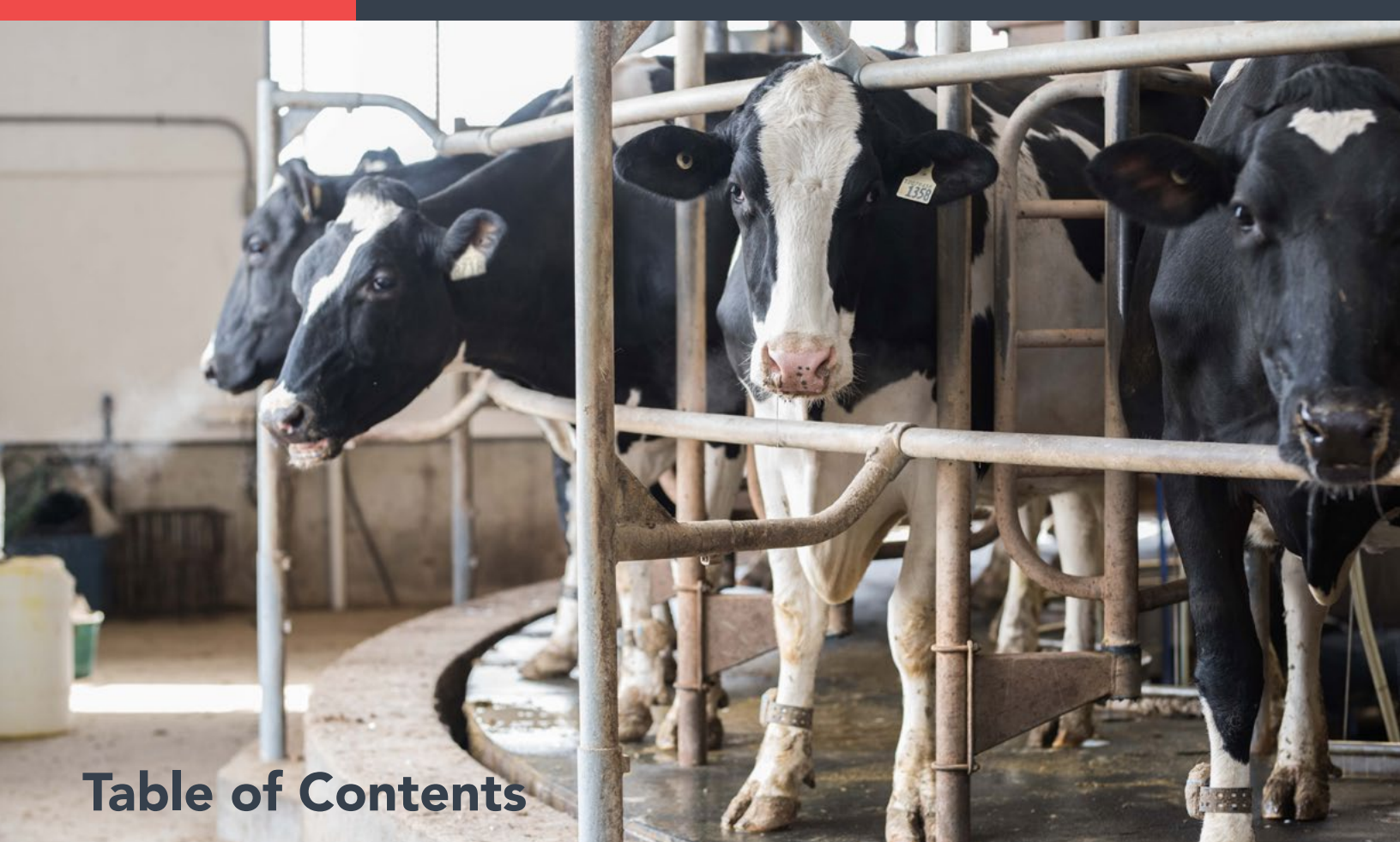


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VISION

**Engaged dairy producers.
Profitable, healthy herds.
A dynamic industry.**

MISSION

- Provide consolidated services and programs to meet the diverse needs of producers.
- Contribute to the management of data.
- Play a leadership role in the industry to create alignment or partnerships.



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140th Annual General Meeting of Members

AGENDA

8:00 AM - 9:00 AM: Breakfast | 9:30 AM - 1:30 PM: AGM

1. Welcome and National Anthem

2. Call to Order

3. Moment of Silence in Memory of Departed Members of the Holstein Canada Family

4. Approval of the Agenda

5. Introduction of the Board of Directors

6. Address of the President

7. Address of Operations

8. Highlights of the Minutes from the 2021 Annual General Meeting of Members

9. Finance Committee Video Report & Presentation of the 2023 Budget

10. Appointment of Audit Firm

11. Presentation of the Century of Holstein Award

12. Introduction to Committee Reports
 - a. Awards
 - b. Classification Advisory
 - c. Governance
 - d. Show and Judging

13. A Message from Dairy Farmers of Canada

14. Greetings from the Honourable Marie-Claude Bibeau, Canada's Minister of Agriculture and Agri-Food

15. A Message from Holstein USA

16. A Message from Holstein Mexico

17. Break

18. Unveiling of the 2022 Cow of the Year

19. 2022 Member Resolutions

20. Young Leader Advisory Committee Video Report

21. Presentation of the 2022 Education Scholarship Awards

22. Members' Input Session

23. Invitation to the 2024 National Holstein Convention in Ontario

24. Adjournment

Celebrating 140 Years
Célébrer 140 ans



HOLSTEIN
CANADA
EST 1884

Centrepieces courtesy of





President's Message

While reflecting on 2022 it can be difficult to summarize all the progress and great achievements Holstein Canada has experienced. You have often heard me speak over the last six (6) months of 'change' and 'challenge', without doubt, both of those must occur so we can embark on a future that is both progressive and inclusive.

The Holstein Canada team continued to be committed to bringing all our members services and experiences that embody the core values of your Association. Kicking 2022 off with the 2nd edition of the Master Breeder Reveal resembled exactly that, an inclusive opportunity for the whole industry to come together and celebrate the pinnacle of achievement for 21 Master Breeder Families. On the heels of this great event, we were finally able to gather in-person at the 2022 National Convention in Saskatchewan. After years of planning, and having to hold onto those plans held in Saskatchewan during the pandemic, the Saskatchewan Convention Committee did not disappoint. The comradery, energy and excitement of finally coming together again to celebrate each other and the great industry we are part of was electric the whole week.

In-person meetings and events were truly the highlight of 2022. Everything from barn meetings, educational seminars, twilights, branch picnics, shows and AGM's – after two (2) years of virtual, the opportunity to be together again was very reenergizing.

A primary objective for your Board over the last year was the development the Strategic Plan that will steer us forward

over next three (3) years. Re-committing their focus to you, the members, the Board took a detailed but concise approach to this plan.

Understanding the importance of our services while also appreciating that we have to diversify to bring us forward, six (6) priorities were implemented that will be sure to carry Holstein Canada into the future. Retention, Recruitment, Efficiencies, New Business National & International with a new pricing strategy will be sure to pillar the Association for years to come.

Through this process, and hearing our members, we also created a new Governance Process for all our internal Committees. It is important to your Board that all members know they have the opportunity to participate in the voice of Holstein Canada. To that end, a new HR Committee has been created, vacancies from committees such as Classification, Breed, Young Leaders, Show & Judging, etc. will be posted and publicized for all members to apply. The HR Committee will review candidates and make recommendations to the Board for potential candidates. It is our hope that this new approach will be more inclusive and allow for more participation from a diverse group of members.

Through all the highlights there was also change. A decision between the Board of Directors and the CEO to go their separate ways in the Fall created its own unique challenge for the Holstein Canada team. The Board would like to thank the Senior Management Team and all the employees

for their dedication and commitment to our membership through this process as we navigated a new way forward.

Many of our friends and neighbours also experienced change throughout the year. From severe flooding in BC to hurricanes in the Atlantic, significant weather changes continue to impact our members. All Holstein Canada team members are committed to continuing to alleviate any pressures we can as these members work to repair their operations.

Our Holstein Canada team continues to grow! After two years of recruiting challenges due to the pandemic, ending the year with nearly a full compliment of team members across all departments was an objective that we worked hard to meet. Fulfilling your service needs within your time zones and in line with your schedules will continue to be a priority into 2023.

After two (2) years away, the return to the Royal Winter Fair celebrating 100 years of agriculture education in one of Canada's largest cities was a historic event. Record numbers in both the B&W and R&W Holstein Shows was a true testament to the reenergization this industry had experienced year through!

We closed out the year with a thorough and detailed budget process. Holding each other and the Association accountable for every dollar of our members' money is not only our mandate as Directors, but also something we take great responsibility in. Thank you to the Senior Management Team for all their work as we finalized the 2023 budget. As a member owned and governed Association, we know it is important to all our members that Holstein Canada maintain its viability for years to come. Recent price changes in conjunction with aggressive cost management at Holstein Canada were a necessary and responsible step in achieving that viability.

2022 was a year of many highlights! With that also came much change and challenge. What I have been reminded of, however, as my time as your president is this; if we are to progress forward and be inclusive at all levels, we must learn to change as required, accept the challenge and diligently work together to keep this great industry energized. I do not believe there is another industry quite like the Dairy Industry!

Sincerely,



Ben Cuthbert

Board of Directors

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BCuthbert@holstein.ca

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Board Committees

- Audit and Finance
- Awards
- Breed Advisory
- Classification Advisory
- Cow of the Year
- Governance
- Risk
- Show and Judging
- Young Leaders Advisory

Feel free to connect with your Holstein Canada Board Directors and Committees. Visit www.holstein.ca to view the list of Committee members.



Operational Message

Adapt. Acknowledge. Approach.

2022 was a year of diversity, change and challenge. Emerging out of a 2-year pandemic and surrounded by economic pressures required a significant amount of adjustment for all of us. The way we work changed indefinitely. We emphasized our focus on reconnecting staff, re-engaging with members in new and old ways and ensuring that we continue to collaborate with Industry Partners and all Dairy Breeds. We must continually learn from our past, acknowledge our strengths and our misses, adapt where we need to improve and continually challenge our approach.

An Adaptive Membership

Challenge is not something new to our members. We rely on environments, many of which are uncontrolled; weather, fuel and fertilizer. Our membership has to adapt quickly and with agility each day, each year. 2022 was no exception. Global unrest cultivated a drastic increase to inflation. However, our members did not waiver in their dedication to Holstein Canada. Core services may have declined in activity but our membership stood strong; adapting their genetic strategies and adapting new approaches to their breeding programs to meet their economic needs. We thank you for this dedication and continued belief in the profit that our services provide you.

An Acknowledging Board

2022 brought unprecedented economic pressures for all farmers. As fellow producers, the Holstein Canada's

Board of Directors identifies with you; as your colleagues, friends and neighbours, they acknowledged that a different approach was imminent for the future. The Board faced many critical decisions while keeping your Association at the forefront of their mind. Dedicated and involved on all levels, the Board continues to make it their priority to listen to the grassroots. A change to our Governance structure and how Committee members are elected is just one example of acknowledging a need for change and more inclusivity.

An Adaptive and New Approach to Your Holstein Canada Team

The pandemic taught us many things, but what became most prevalent was that we must be agile enough to always adapt our approach, to accept that how we have always done things may not always be the best way forward.

A new hybrid solution for office employees was implemented which provided opportunity for unused space to be made available for external tenants in the Holstein Canada Building. We welcomed this opportunity, which in turn has provided an additional \$140,000 annually in revenue for the Association.

We learned to appreciate that on-farm visits and phone calls were not the only way to connect with you. We adapted to the technologies that work for you: texting services, the development of a registration and genomics app and providing options to meet with you virtually.

Understanding the importance of farm people servicing farm people, we worked hard to renegotiate the DFC proAction® Animal Care Contract in a sustainable way that would not increase the price to you.

We talk regularly about how 'one size does not fit all' and have concluded our on-farm Classification pilot projects to be able to offer you affordable and profitable services that fit your farms needs in 2024.

A reorganization of the Senior Management Team implemented a more clear and concise approach to our members' experience. Ensuring that an agriculture business understanding is represented across all areas provides a seamless approach to service. Our Field Team brought directly to the decision table and our IT team now headed by a business specialist and past producer is an adaptation that provides continuity for our future.

Senior Management Team

Brad Eggink

Director of Customer & Member Experience

Bruno Jubinville

Director of On Farm Experience Quebec & Atlantic Provinces

Chris Bartels

Director of Innovations & Solutions

Kathryn Chapman

Director of Finance

Linda Markle

Director of Customer & Member Support

Willemkje Binnendijk

Director of On Farm Experience Ontario & Western Provinces

A Collaborative Approach

Holstein Canada is your Association. We have heard you and understand that Industry collaboration to streamline services for you, the producer, must continue. Duplication is inefficient. Working with Lactanet for inclusivity of more production data has been a core objective. One size does not fit all; we understand that different farms require different management approaches, 2022 saw this objective come to fruition. As we move forward, Holstein Canada awards will evolve and better align with profit generating cows.

All Breeds continue to align themselves together, creating a unified and strong voice within our Industry. We must all continue to keep each other engaged and not be afraid of open and transparent communication.

Adapt. Acknowledge. Approach.

This year we mark the 140th anniversary of the Holstein Association of Canada's AGM, this is something incredible which is to be celebrated! However, we must remain

vigilant! 14 decades of commitment to the future of the Holstein Breed is no easy feat and did not come without challenge. Generations before us have had to continuously adapt, to acknowledge their strengths while recognizing their weaknesses and refine their approach, year after year. Let our history; each chapter, be a lesson for our tomorrow and bring our Association forward for decades to come.

Sincerely,



Linda Markle





Member Awards & Recognition

Century of Holstein

For 100 years of continuous Holstein Canada membership.

1923 – 2022

Descendants of William McGriskin
Agincourt, ON

1923 – 2022

Descendants of T. O. Dolson
Atwood, ON

1922 – 2022

Descendants of A. H. Poole
Smith Falls, ON

Scholarship Awards

Supporting youth education.

ONTARIO

Sarah Prins, Redeemer University
Corbyville, ON

Samantha Hildebrand, MacDonald College
St. Albert, ON

QUEBEC

Rosalie Smith, ITAQ La Pocatiere
Sainte-Flavie, QC

Pascale Chevrette, University of Montreal
Saint-Félix-de-Valois, QC

EAST

Tim Porter, Dalhousie University
Lower Onslow, NS

WEST

Darrick Nichol, University of Lethbridge
Coalhurst, AB

All-Canadian Contest

See Holstein Canada website for full results: www.holstein.ca

Master Breeder Awards

Recognizing Excellence.

SHIELDS	PREFIX	Location
1 st	AQUAREL	St. Lazare, QC
2 nd	ARCROIX	St. Michel, QC
2 nd	BELMORAL	Teeswater, ON
1 st	BREEZY	Brussels, ON
1 st	CHRISTHILL	Tara, ON
2 nd	ELM BEND	Brantford, ON
2 nd	HAVENVALLEY	Wallenstein, ON
1 st	JEANLU	Saint-Georges, QC
1 st	LAUZONNIERE	Saint-Pierre-les-Becquets, QC
1 st	LOUIDGI	Saint-Joseph-de-Beauce, QC
1 st	MAGAMI	Ange-Gardien, QC
2 nd	MIRABEL	Mirabel, QC
1 st	PARKHURST	Saint-Patrice-de-Beaurivage, QC
1 st	PELLERAT	Saint-Roch-des-Aulnaies, QC
1 st	RJF	Corbyville, ON
3 rd	RUBIS	Lochaber-Partie-Ouest, QC
1 st	SPRUCE LAWN	Drayton, ON
1 st	VRIESDALE	Mountain, ON
3 rd	WENDON	Red Deer County, AB
1 st	YORELLEA	St. Eugene, ON



2022 Non-binding Resolutions: Action Update

Web Service

1. Registration/Classification (Submitted by Ontario Branch)

- Whereas historically Holstein Canada stamped classification results on registration papers, and;
- Whereas breeders relied on these updated registration papers for recordkeeping and marketing purposes, and;
- Whereas registration papers are currently updated to reflect genomic details as they become available, allowing the owner to reprint the updated version of the registration paper if they choose to.

Be it resolved that Holstein Canada investigate means to provide updated classification results on registration papers, including the option of updating the electronic registration papers following a classification scoring, to enable members to print updated registration papers if preferred.

Action Plan: Holstein Canada will look at options to make Certificates of Registration available on your Online Services for an extended period of time. Animal information on the Certificate of Registration would be current/real time when viewed/printed from the web.

2. Registration Re-print (Submitted by New Brunswick Branch)

- Whereas an animal being homozygous or heterozygous polled can sometimes only be confirmed through genomic testing, and;
- Whereas Holstein Canada currently charges the producer a fee to correct the polled status of an animal, be it.

Be it resolved that that if the genomic test shows an animal to be heterozygous polled, the single "P" be added to its name on its registration, and if an animal is tested to be homozygous polled, a double "PP" be added to its name on its registration, at no additional cost to the member.

Action Plan: For consistency, Holstein Canada provides genetic traits and colour codes displayed and printed in specific areas on Animal Information Sheets and official documents. The codes for polled are displayed as: POS = true polled (homozygous PP), POC = carrier of polled (heterozygous Pp), POF = free of polled. The addition of any of these codes (or lettering to indicate a code) to an animal's name is at the producer's discretion above and beyond Holstein Canada's official labelling.

Classification

3. Interval Between Classification Visit and/or the Animal Welfare Evaluation for proAction Certification

(Submitted by Quebec Branch)

- Whereas the breeders who adhere to the classification system have the development of genetics within their herd and of the Holstein breed at heart; and;
- Whereas Holstein Canada promotes classification and its benefits for breeders and that the Association is not able to deliver the service at a reasonable interval to enable the breeders to benefit from its advantages (choosing the sire, sale value, etc.); and;

- Whereas the industry needs the classification data for the sire evaluation system and for on-farm sire selection programs; and;
- Whereas all breeders, regardless of their region, are entitled to a classification visit within a reasonable period of time, i.e., approximately every four months, as indicated on the Association's website; and;
- Whereas the animal welfare evaluation is a service provided by the classifiers and that this data is essential for the proAction program certification; and;
- Whereas the situation experienced in 2020-2021 in the Club Holstein Bas-Saint-Laurent where seven to eight months went by between two classification visits and that many of the classified animals were not at their full potential.

Be it resolved that to ask Holstein Canada to quickly find solutions to reduce the intervals between visits for members who adhere to the classification mid-round service in Quebec, as well as for the animal welfare evaluations for the proAction certification program. In other words, to keep its commitments and respect a maximum interval of approximately four months between classification rounds and mid-rounds, as well as the interval for the proAction program, so that breeders can get the results of their herd's welfare evaluation at the time of their accreditation.

Action Plan: Classification intervals are back to a pre-pandemic normal of 4 & 8 months in all provinces except ON and QC. Increased staffing numbers continue to improve intervals in ON and QC back to pre-pandemic normal. Implementation of Regionalization in 2023 will make service more readily available for those who require more frequent rounds than the standard 4 or 8 month intervals.

4. Report Availability (Submitted by Quebec Branch)

- Whereas currently, no document is handed out to the breeder at the end of the classification visit and that it takes a few hours or even a few days for the data to be available on the ConneXXion portal;
- Whereas the visit reports would help start the discussion between the breeder and the classifier and would provide a great extension and education opportunity for the breeder.

Be it resolved to ask Holstein Canada that the breeders have the possibility to receive their visit reports by email or by other means directly at the end of the classification visit.

Action Plan: Currently Holstein Canada provides classification reports at the end of each visit via Classifier tablet, text message, email, WebAccount and print from the Holstein Canada Office, upon request. We acknowledge the delay in the receipt of these reports, its impacts on the delivery of our service. Holstein Canada will explore more effective solutions when the ConneXXion tool is next reviewed in order to ensure service excellence.

5. DFC/Blue Cow Logo (Submitted by Ontario Branch)

- Whereas the promotion of Canadian dairy and the Canadian milk symbol is integral to the success and financial stability of Canadian dairy farmers, and;
- Whereas the sale of milk is important to the membership, services, and programs of Holstein Canada and its affiliate branches, and;
- Whereas Holstein Canada and its affiliate branches have strong visible presences through social media, print media, events, and programs.

Be it resolved that Holstein Canada and its Branches identify opportunities to promote Canadian dairy and the Canadian milk symbol wherever possible.

Action Plan: Holstein Canada acknowledges the spirit and vision of this Resolution, and has made note for any potential future opportunities.

Master Breeder

6. Criteria Animal Eligibility (Submitted by Quebec Branch)

- Whereas we must motivate breeders to register their animals as soon as possible; Whereas animal registration is an important source of revenue for Holstein Canada;
- Whereas breeding is an important part of the criteria for obtaining the Master Breeder title;
- Whereas the late registration allows for a selection of the best animals, and can have an influence on the Master Breeder points and, thus, provide an unfair advantage

Be it resolved to ask Holstein Canada that an animal that has been registered after one year of age no longer be eligible to contribute points in the calculation of the Master Breeder title.

Action Plan: Resolution has been forwarded to the Awards Committee for review.

7. Number of Shields per Master Breeder Category (Submitted by Quebec Branch)

- Whereas the Master Breeder title is a recognition valuing the breeders and that this title is awarded to a prefix (herd);
- Whereas between two categories with the same number of herds, the total number of registrations will be higher in the group with a higher number of registrations per herd;
- Whereas the shields currently go by the total number of registrations per group and not by the total number of herds per group;
- Whereas the current distribution of the number of shields between groups favours breeders that are in the groups with a higher volume of registrations per group.

Be it resolved to ask Holstein Canada to review the distribution of the number of Master Breeder shields, i.e. to have the shields awarded according to the total number of herds per group and not by total number of registrations per category in order to recognize the best breeders more fairly.

Action Plan: The Awards Committee put forward a recommendation to the Board of Directors which was APPROVED ON December 8, 2022.

RESOLVED THAT the Holstein Canada Board of Directors accepts the Awards Committee's recommendation to use the new distribution for Number of Shields per Group for the Master Breeder Award, effective 2022.

The new distribution is a weighted calculation using both Registrations and Membership representation per group the details of which are available on our website.

8. Point System - Additional Points to Promote Older Cows (Submitted by Quebec Branch)

- Whereas no additional points are awarded to Master Breeders for a cow that has more than 3E;
- Whereas the milk production of a cow is currently valued only up to 120,000 kg;
- Whereas classification aims to improve the longevity of animals in dairy herds and that the aim of the Master Breeder program is to recognize them.

Be it resolved that Holstein Canada be asked to value these cows by removing the point limit which is now set at 3E and 120,000 kg, to allocate one additional point per EX reclassification and one point per 10,000 kg after 100,000 kg of production, rather than per 20,000 kg as is currently the case.

Action Plan: The Awards Committee put forward a recommendation to the Board of Directors which was APPROVED ON September 21, 2022.

Resolved that the modified table point system be used for Conformation as follows: 83-84 = 1 point, 85-86 = 2 points, 87-89 = 3 points, EX and 91 points = 4 points, EX 92-93 points or 2E = 5 points, EX 94 and up or 4E and up = 6 points. Motion carried.

Breed

9. Availability of Antibiotics (Submitted by Quebec Branch)

- Whereas as of February 25, 2019, a new regulation limits the curative use of class 1 antibiotics;
- Whereas the supply issue of antibiotics remains and that other effective drugs will soon no longer be available;
- Whereas producers have the well-being of their herd at heart;
- Whereas a lack of adequate care during when an animal is sick can cause delays in the animal's growth, decrease its milk production quantitatively and qualitatively and thus, lead to early culling of certain animals and affect the financial profitability of the company;
- Whereas society's expectations as well as proAction's animal welfare standards are increasingly strict and that an untreated animal suffers unnecessarily;
- Whereas good practices help prevent disease, but that antibiotics are sometimes necessary to treat or to avoid bacterial infections;
- Whereas animal welfare also means allowing animals to get healthy again.

Be it resolved to ask Holstein Canada to take the necessary steps with all relevant authorities to ensure that the supply issue of antibiotics available to and allowed in cattle breeding advances and be given priority

Action Plan: Holstein Canada has been in communication with relevant supply chains and it is our understanding that due to 2 years of a pandemic, antibiotics were redirected for human use and the supply chain expects to be back to normal by the end of 2023.

10. LPI/Pro\$ Formula (Submitted by New Brunswick Branch)

- Whereas some important traits such as polled and beta casein are binary in nature,
- Whereas these binary traits can have economic importance and help create a more consumer friendly product; and
- Whereas the LPI which dictates the direction of the Holstein breed genetically has no means to include these binary traits.

Be it resolved that Holstein Canada investigate the feasibility of including important binary traits in the index calculation of the animal.

Action Plan: Will be brought forward to the Genetic Evaluation Board (GEB).

Pedigree

11. Publication of the Best Producers in the Award Section of the Holstein Canada Pedigrees

(Submitted by Quebec Branch)

- Whereas the results of the top three placings of the local, regional, provincial and national shows are listed on the Holstein Canada website for those cows;
- Whereas breeders are paid based on the production of their cows;
- Whereas it is in everyone's interest to bridge the gap between show and production awards.

Be it resolved to ask Holstein Canada to publish on the cow's pedigrees the top three production placings by age for each Holstein club, as well as at the provincial and national levels.

Action Plan: This Resolution will be reviewed with the next Pedigree updates.

Show Classes

12. Intermediate Championship (Submitted by Quebec Branch)

- Whereas the first calvings are being made at a very young age;
- Whereas there are several classes of yearling females (Intermediate Yearling Calved and 2-year-old Summer Calved);
- Whereas cows at their 3rd calving will compete with cows at their 1st calving;
- Whereas this resolution could speed up the judging of young cows.

Be it resolved to ask Holstein Canada to remove the Senior 3-Year-Old class from the Intermediate Championship for all judging during the show season and include this class at the Senior Championship.

Action Plan: Implemented for the 2022 Royal Agricultural Winter Fair.

National Show

13. Designation (Submitted by Alberta Branch)

- Whereas due to the vast geographical size of Canada, the existence of a national show in eastern Canada limits western provinces from showing;
- Whereas the health and welfare of all animals is of top priority and long-distance trips are especially hard on a show animal's well-being;
- Whereas the western provinces have high-quality animals and a national show would recognize these animals on a national stage;
- Whereas the show in western Canada be held in the same regard as a national show in eastern Canada (i.e. points to All-Canadian nominations);
- Whereas there is opportunity to encourage western participation in more shows and also in promoting the Holstein breed throughout Canada.

Be it resolved that Holstein Canada designate the Westerner Dairy Showcase in Red Deer a National Show.

Action Plan: A detailed review of the Resolution was completed by the Show & Judging Committee as well as the Holstein Canada Board of Directors. The Board of Directors has decided that they will not be designating the Western Dairy Showcase in Red Deer a National Show. The judging of the All-Canadian Contest has been revamped to be more inclusive of all Provinces and now incorporates Judges who have judged every major Show across the Country. Further, there is significant cost to the Association to host a National Show. Holstein Canada currently has two (2) National Shows; one in Toronto, Ontario and the Convention National Show which allows every Province the opportunity to have a National Show in their own Province.

Governance

14. Board Composition (Submitted by Nova Scotia/Newfoundland Branch (2021))

- Whereas: Young people are essential to the future of our industry;
- Whereas: Decisions made now can affect the next generation of the industry;
- Whereas: It is important to include the voices of the future in the decisions of today.

Be it resolved that Holstein Canada create a full voting member position on the Board of Directors for a young person, aged 18-30. This position could be filled by the Chair of the Young Leaders Committee or by a three-year term (to be held only once) elected by a nation-wide election.

Action Plan: The Holstein Canada Board of Directors did not move forward with a full voting member position for a young person on the Board of Directors, as the Young Leaders Advisory Committee has direct access to the recommendation process to bring their ideas forward.

Fees

15. Service Pricing - Bundling (Submitted by Nova Scotia/Newfoundland Branch)

- Whereas: Holstein Canada members are experiencing more significant financial pressures than ever;
- Whereas: Here are a number of dedicated core members who utilize all of Holstein Canada's services;
- Whereas: Bundling of services rewards clients and that HC recently announced a bundling option that included registration and genomic testing.

Be it resolved that HC develop more bundling options which could include NLID tags, registration, genomic testing, and First classification.

Action Plan: Holstein Canada has taken note of this Resolution for future discussions on pricing strategies in conjunction with the new Strategic Plan.

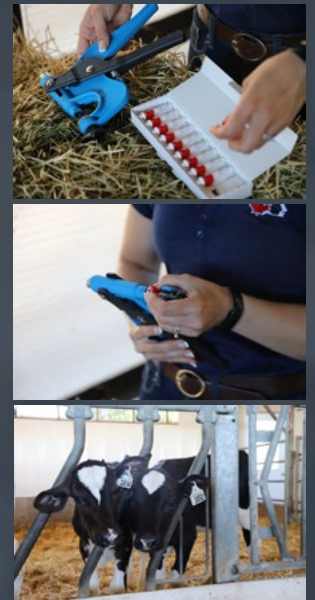
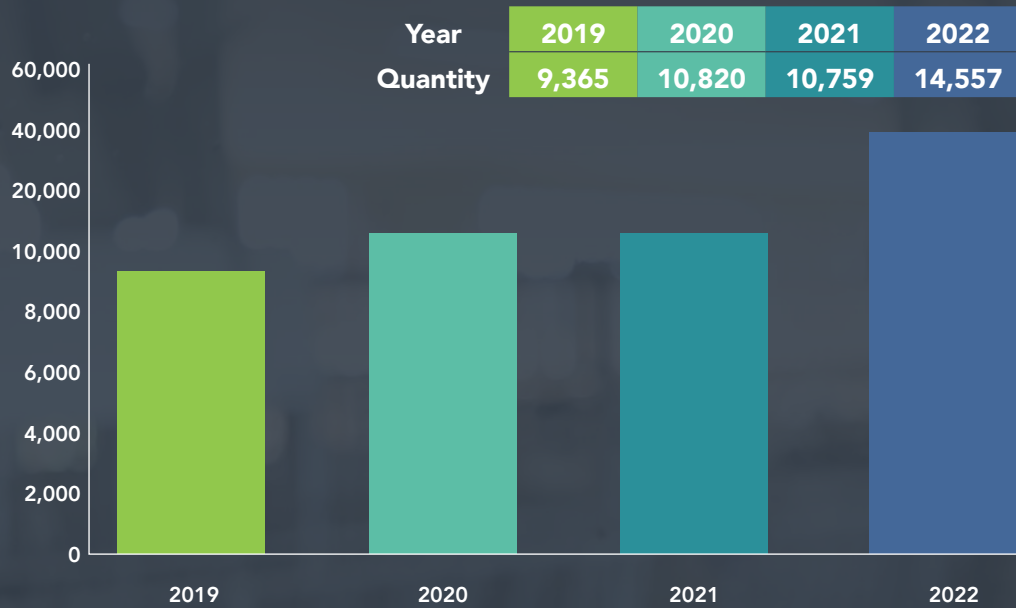
16. Inclusivity (Presented by Ontario Branch)

- Whereas: Holstein Canada strives to be an inclusive organization

Be it resolved that HC review all By-laws and policies to update terminology to reflect gender neutrality.

Action Plan: The Holstein Canada By-laws will have a note added for the reader to indicate that the masculine tense is used throughout, in a non-bias format, for simplicity purposes only, furthermore, that the masculine tense used in the document is meant to be gender neutral.

4-Year-Trend of Genomic Testing



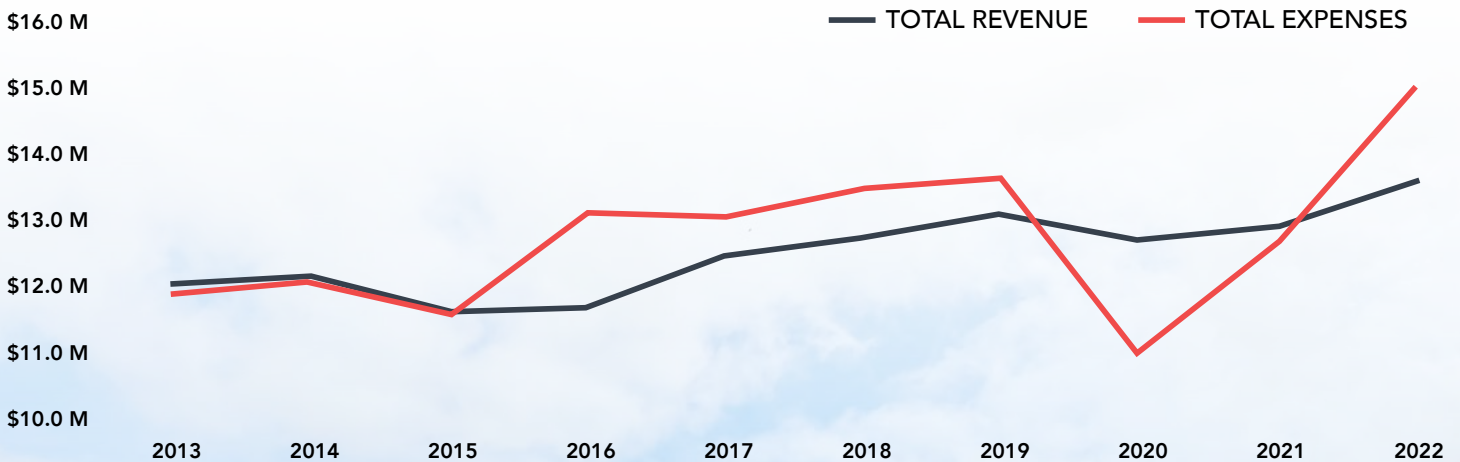
2022 Financial Highlights At a Glance

Activity Numbers by Province

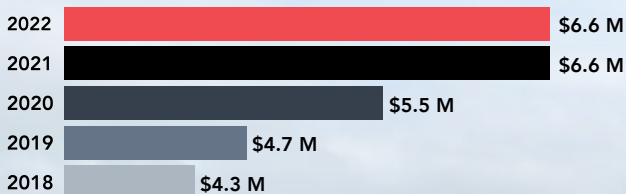
Province	Memberships		Registrations		Classifications*		Transfers		Genomics	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
British Columbia	337	347	20,128	24,337	18,047	16,438	1,264	1,274	509	454
Alberta	406	422	24,417	26,461	15,612	12,875	1,013	1,600	1,983	809
Saskatchewan	115	115	9,006	8,710	6,277	6,404	590	1,930	802	634
Manitoba	214	223	11,952	13,699	6,654	9,400	524	2,455	385	603
Ontario	3,321	3,372	100,212	106,189	73,122	85,950	9,634	10,802	5,273	3,528
Quebec	3,741	3,871	92,171	97,253	102,580	93,030	10,755	12,488	4,221	4,203
New Brunswick	154	157	4,686	5,005	4,298	3,393	998	279	319	158
Prince Edward Island	155	157	4,509	4,958	4,367	4,067	892	482	589	132
Nova Scotia	159	170	4,474	5,167	6,114	6,131	425	432	416	237
Newfoundland	16	17	1,574	2,152	813	962	73	111	60	1
International	3	2	4	31	0	0	126	176	0	0
Total	8,621	8,853	273,133	293,962	237,884	238,650	26,294	32,029	14,557	10,759

*Classification: Holstein 221,484 other dairy breeds 16,400 (2021: Holstein 222,469 other dairy breeds 16,181)

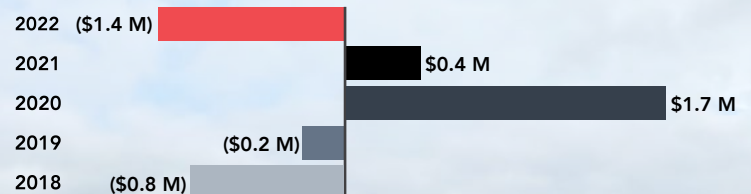
10-Year Operational Results



Reserve Fund: \$6.6 M



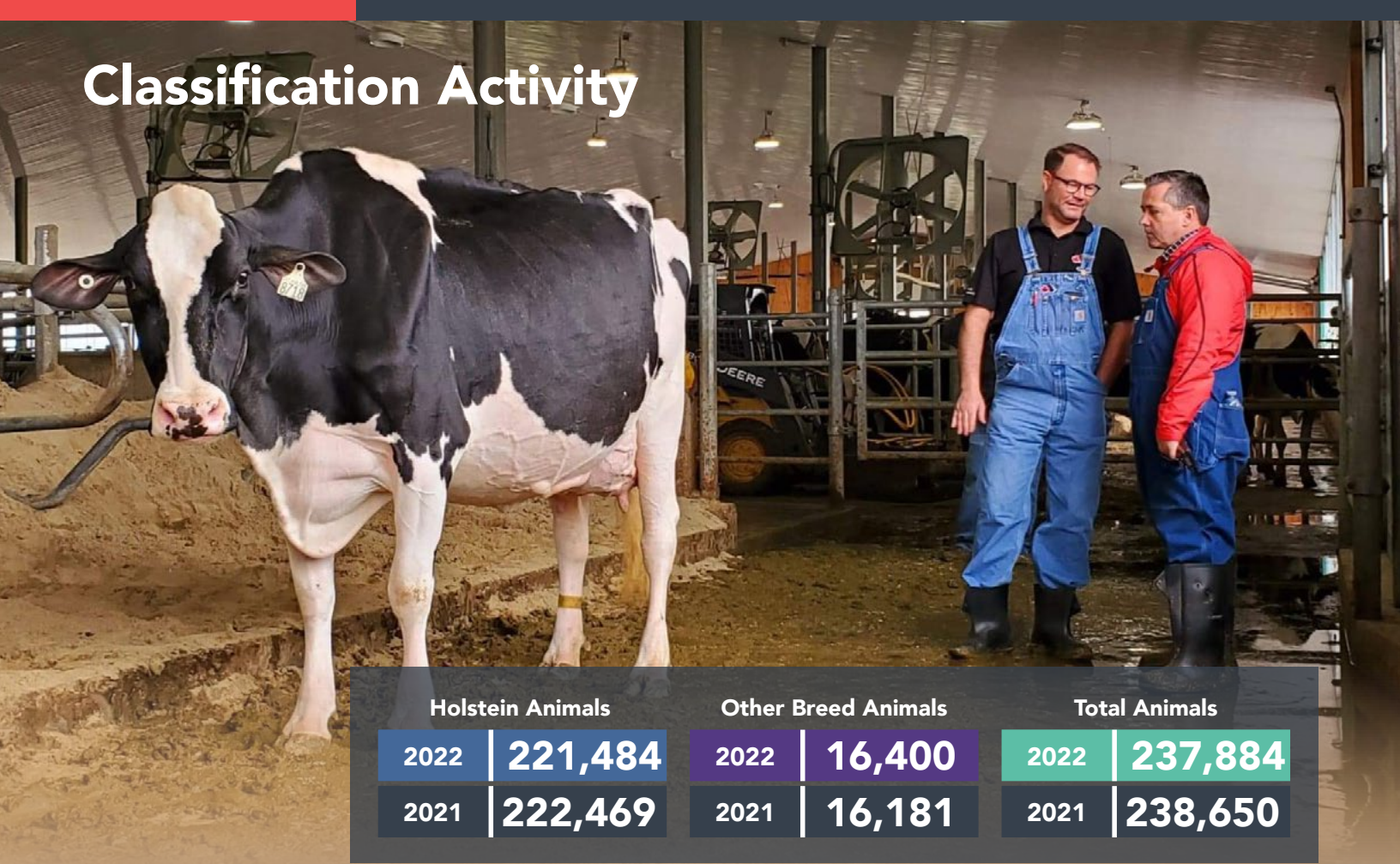
Surplus* / Deficit: (\$1.4 M)



*2020/2021 includes wage subsidy and one-time costs

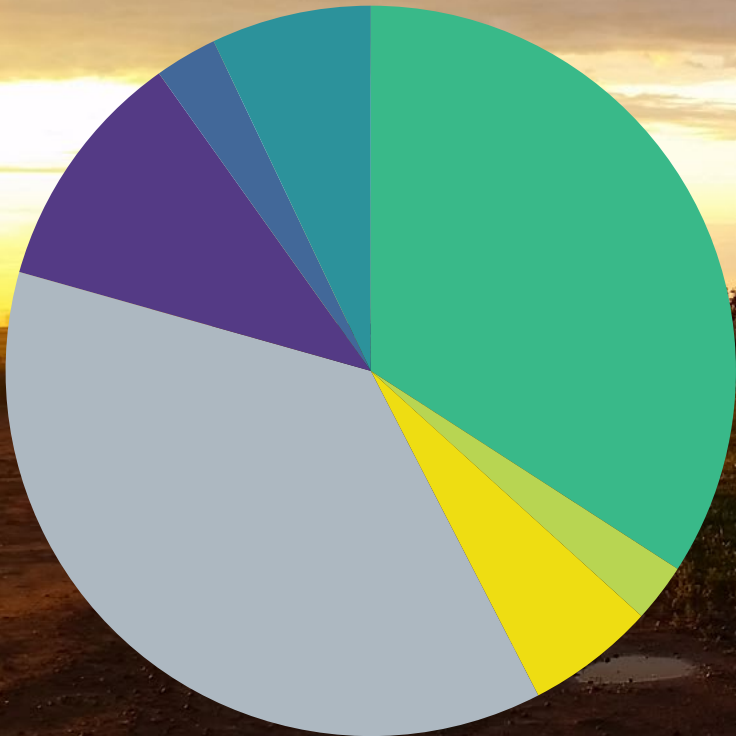
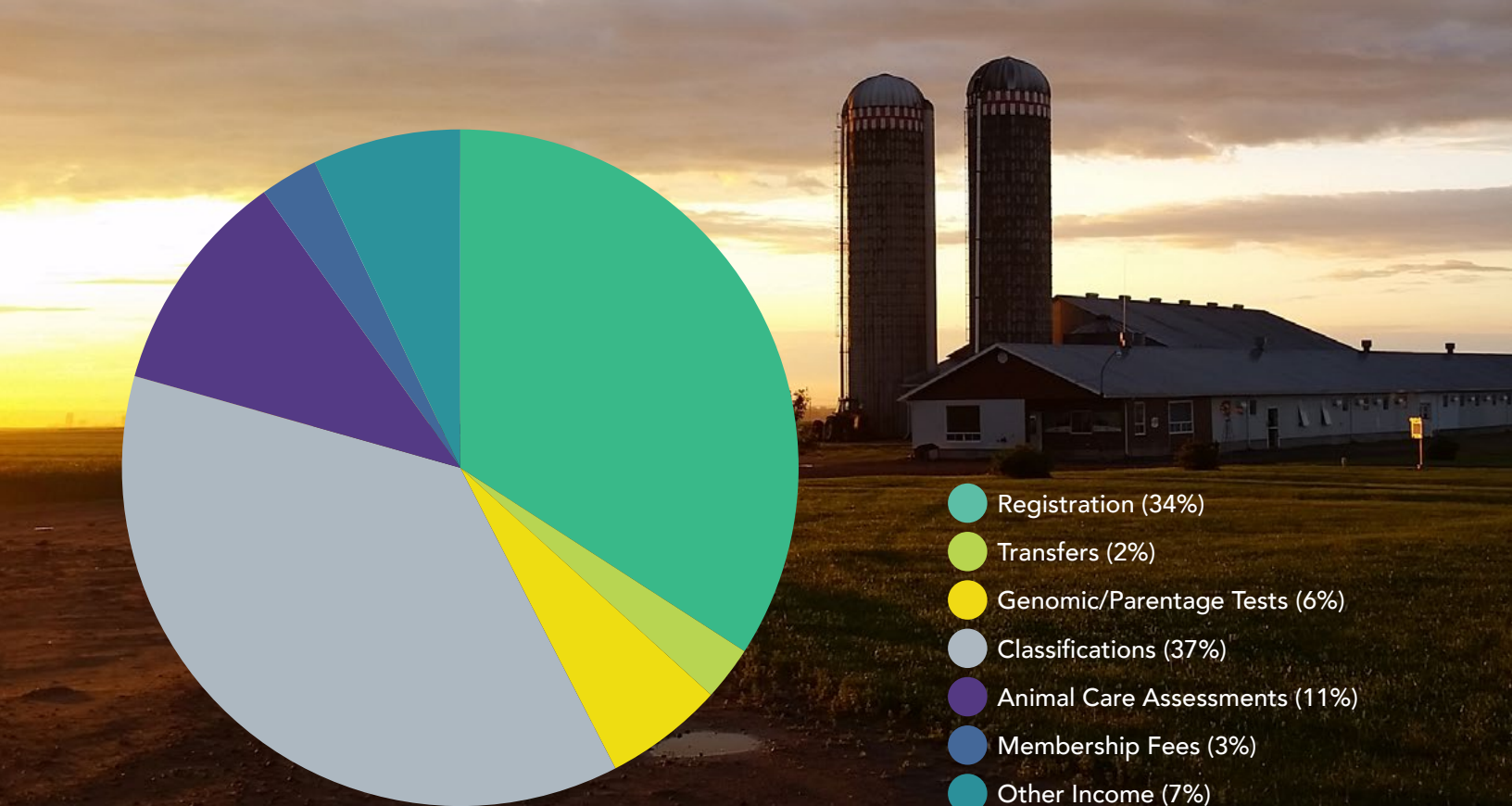


Classification Activity



Holstein Animals		Other Breed Animals		Total Animals	
2022	221,484	2022	16,400	2022	237,884
2021	222,469	2021	16,181	2021	238,650

2022 Revenue from Operations



- Registration (34%)
- Transfers (2%)
- Genomic/Parentage Tests (6%)
- Classifications (37%)
- Animal Care Assessments (11%)
- Membership Fees (3%)
- Other Income (7%)



Committee Reports

Audit and Finance

Following the pandemic, we found ourselves back at full operational capacity with no work stoppage due to travel restrictions or shut downs.

Total revenues of \$13.8M, up by 5% from 2021, but fell under budget targets for the year by 4%.

Total expenses of \$15M were above budget by 2%, the impact of inflation and underperforming investments put us above our Pre-Covid run rate.

While many events returned in 2022 the catchphrase of 2021, “hybrid”, has become the new normal in Holstein Canada daily operations.

The return of many events coupled with the increased cost of travel resulted in a significant increase in expenses from 2021.

Staff travel, meals & accommodations costs came in over budget by \$303K at an unexpected excess of 26% driven by significant fuel increases at the pump impacting all aspects of travel.

The open recruitment positions from 2021 were not fulfilled until the latter half of the 2022 year. As such personnel costs were under budget by 1%.

Holstein Canada did not benefit from Wage Subsidies in 2022.

Let's take a closer look at the activity numbers:

In the past 5 years registration activity rose to a record high in 2019 at 316,000 calves registered. Activity has dropped by 3% in 2020 and 5% in 2021, and an additional 7% in 2022. For the third year in a row Holstein Canada was challenged

with a decrease in registration activity finishing the year with 273,000 animals registered.

The impact of sexed semen, beef semen, and the decrease in replacement animals persisted into 2022. We are expecting a levelling off of this trend going into 2023.

Post pandemic classification numbers have stabilized from 2021, however not at the levels seen pre-pandemic.

For 2022 recruitment continued to be a challenge and the unfulfilled positions from 2021 were not staffed until late in the year. Without the positions filled the push targets for classification of 2022 were not attainable.

On a positive note, the roll out of our CLARIFIED Genomics program has yielded positive results with a 32% increase in activity from 2021 as we continue to encourage breeders to use this important tool in their herd management practices.

The new Connexion Mobile App for breeders has been launched at the recent Canadian Dairy Expo (CDX) on April 5. We continue to offer bundled pricing in an effort to drive both the genetics strategy and registration numbers.

Our investment portfolio weathered the market challenge in 2022, with a small net decrease of only \$6,600, approximately 0.1% decline in the reserve.

The investment portfolio has remained at \$6.6M in our reserve.

\$4M of the \$6.6M reserve fund is designated solely for the purpose of emergency use only. The balance of funds will be used at the approval of the Board to finance projects or special initiatives

The higher than expected deficit resulted in a decline of our operating cash balances. Holstein Canada has facility loans

available, but through cash management, we did not utilize any new lending in the second half of the year. In the annual report you will see a 10-year graph of our revenues and expenses since 2013.

The finance committee, seeing the challenges of the past and what is ahead of us, has reviewed the budget for 2023 and has proposed an adjustment in pricing in order to meet the significant cost increases directly affecting our day to day costs in the field.

Prices increase, combined with a developing strategic plan for recruitment and retention has resulted in a budget increase of 13% in Revenues over 2022.

Senior management is evaluating the resources we have in place and how we can utilize them more effectively. With that in mind, we have budgeted an increase of 3% in our operating expenses.

One of our priorities is to address the fiscal imbalance from the 2022 financials to a balanced budget for 2023. This is combined with additional oversight for all departments to ensure we monitor our budget.

We have been successful in leasing out all the available space at the association's building. The rental income ensures our building is being used to its capacity and helps cover the maintenance costs.

Our third tenant is the Brant Community Foundation; a trusted agent and a catalyst for philanthropy, benefiting our community-today and forever.

This partnership will help to build our relationship with the Brantford community as we work to build our presence locally and across the country.

Angus McKinnon, Chair

Awards

The Holstein Canada Awards Committee met several times in 2021-2022. As a Committee we analyzed the Awards process and identified the objectives that needed to be reached in order to ensure the continual evolution of the system.

Holstein Canada along with other Dairy Breeds have been working with Lactanet for the past two years to promote better data exchange between Organizations. As publications become more focused on our HerdBook, all Holstein Canada members will be able to benefit better from our services.

In response to the need to be more inclusive with our data exchange, the Committee considered incorporating the new lactation types of the future. Through to the end of 2022, we laid the foundation to develop the new Holstein Canada Awards system.

A lot of change is taking place in the Awards system, which must be tailored to the new realities of Canadian Dairy Producers, in order to reflect better economic profitability of cows on our farms.

The following Awards remain in place: Master Breeder, Star Brood Cow, Superior Production, Super 3, Long Production and Canadian Champion. However, the way points are accumulated will evolve and expand. The BCA will be maintained and we will also have kilograms of fat and protein, as well as kilograms of milk only, per day of life and for each 305-day lactation.

For Master Breeder, the Holstein Canada Board of Directors has decided to close the current system effective October 31, 2024 and adopt the new approach as of November 1, 2024.

Points for the Master Breeder 2024 Awards will be calculated until October 31, 2024 with nominations being announced in January 2025. Following this, the 12-month period will end on October 31st of each year.

The Awards Committee will be working on implementing changes in 2023 and 2024. To ensure all options are considered, we would like to organize Focus Groups (one in English and one in French), with interested members. Several resolutions and recommendations from the last few years will be taken into consideration during our discussions. Please submit your name to Pascal Lemire if you would like to take part in the Focus Group discussions.

Following a resolution from the membership and approval by the Board of Directors, we are introducing a new way of awarding Master Breeder plaques in 2023; based on the number of herds and the number of registrations made in each membership category.

Gilles Cotes, Chair

Classification Advisory

Several recommendations were made to the Board of Directors after the 2022 Committee meeting. The topics discussed all relate to the health and the viability of our cow in today's and tomorrow's management systems.

Body Condition Score:

The first two changes are adjustments to Body Condition Score (BCS). Fortunate to have Dr. Gord Atkins from AB with us, he presented us new information from several studies done across North American which indicate a more desirable BCS range for healthy cows. In response to this science these changes will be made:

1. For lactations 2+, BCS between 2.25 – 3.0 will be considered ideal
2. For Lactations 2+, a smaller discrimination will be used for linear code 4, which is the linear code one less than ideal

Teat Placement:

Our management systems continue to move to robotics at a rapid rate. Teat placement is an important trait for all management systems. To improve the health of our mammary systems and to improve teat placement, this change will be made:

1. For Rear Teats that receive a linear code 9, which represents rear teats that are nearly crossing, an automatic defect of 'Teats too Close' will be applied, deducting two points off the total Mammary System score.

Trait Name Change:

We live in a global industry, although many management environments differ from Country to Country, 22 Classification traits are shared across 42 Countries. To continue to maintain this uniformity and to eliminate confusion between Dairy Strength and Dairy Capacity, Holstein Canada will change the name 'Dairy Capacity' to match the World Holstein Friesen Federation (WHFF):

1. Dairy Capacity will be replaced with the term 'Rib Structure'

Defects:

As our Breed evolves and improves, defects that were once a burden to the functionality of the cow either become extinct or occurrence is very rare. As a result, only defects related directly to the functionality of the cow will remain on the scorecard. The defects that remain are:

Advanced anus, unbalanced quarter, blind quarter, web teat, shallow fore rib, weak back, weak crops, weak pasterns, abnormal claw, crampy', rear legs back.

Research Trait Emphasizing Fertility:

Improved fertility of our herds is a constant challenge and evolution for today's dairy farmers. After reviewing sound research from Dr. Divaker Ambrose, University of Alberta and other international Countries, a new novel research trait will be added to the scorecard. Anogenital distance is the measurement from the center of the anus to the bottom of the vulva. Research indicates that the shorter this distance, the higher the fertility of the animal. This, easy to measure, phenotypic trait has the potential of being instrumental in improved fertility in today's cow. This trait will be added for research purposes and will be collected in Tie-Stall facilities.

Locomotion:

As a part of a phased approach to implementing 'Mobility and Foot', originally announced in 2021, we are pleased to announce that Locomotion will now be an officially weighted trait in all loose-housing systems. A predicted locomotion score utilizing correlations from other Feet and Leg traits will be applied in Tie-Stall facilities. The predicted locomotion in Tie Stalls will be evaluated as a research trait for one year to validate the prediction.

The changes mentioned today will come into effect in the 2nd half of the 2023 year. Please see the April/May/

June edition of the *infoHolstein* for more details. If you have any other questions regarding these changes, or any classification questions, myself or any of the resources at Holstein Canada would be happy to assist.

Nancy Beerwort, Chair

Cow of the Year

In 2022 the Cow of the Year Committee revamped the award program to be more inclusive of all members across Canada. The new criteria implement in that year is as follows:

- Classification of 92pts or better
- A minimum of 80,000kg of milk produced
- A minimum of 3 Stars
- Lifetime butterfat production of 2,500kg
- The cow had to have been Active in the awards year

These criteria generated a pool of 67 cows from across Canada in 2022. The owners of these animals were notified by Holstein Canada explaining the eligibility of these cows for the award. The result, 32 impressive cows nominated for candidacy.

The committee was distributed the information of all 32 animals and their respective detailed pedigrees. Over the course of several weeks, the committee did their homework independently to select the four (4) they believed should be at the top. Coming together in early January, the Cow of the Year Committee selected the four (4) finalists collectively:

- Belfast Goldwyn Lazenza
- Comestar Lamadona Doorman
- Garondale Goldwyn Conny
- Willswikk Duplex Dion

Thanks to everyone who voted and congratulations to all participants!

Dennis Werry, Chair

Governance

The Governance Committees mandate is to be as transparent as possible to our Members. In order to ensure this, the committee set some goals:

- An analyzation of the nine existing Committees to determine if any of them should be merged or simply disbanded. For example, we felt that the Cow of the Year Committee should be a sub-committee of the Awards Committee, this has been completed.
- In doing this analysis, it was concluded that Holstein Canada required a new Committee to aid the Board in filling external positions for each of the Committees. As a result, we created a Human Resources Committee.
- Once the Committees were identified, we categorized

- them as Primary, Member Experience and Advisory.
- The Primary Committees are composed of three National Directors as well as an external expert.
- For the Member Experience and Advisory Committees, their mandates state the following: one member from the West, two from Ontario, two from Quebec, one member from the East, external members as required for certain Committees, as well as one or two National Directors.

Primary Committees

Primary Committees are established on a permanent basis. These Committees analyze issues within their areas of jurisdiction and make recommendations to the Board. Each Primary Committee also monitors and evaluates the performance of the whole organization in relation to its responsibility.

Member Experience Committees

The Member Experience Committees amplify the membership's voice at a maximum level to the Board to drive strategic decision-making. Their purpose is to closely connect the membership to the Board in order to identify opportunities and trends that meet the changing needs of the membership.

Advisory Committees

An Advisory Committee is a collection of individuals who bring unique knowledge and skills which augment the knowledge and skills of the formal Board of Directors in order to more effectively guide the Association. Each Advisory Committee is able to focus narrowly on a specific program in order to advise or support the Association/Board.

Ad Hoc Committees

The Board may establish Ad Hoc Committees to accomplish a particular goal for a limited time. These bodies usually carry out their assigned functions, make recommendations to the entire Board, and disband after the goal is complete.

Each of the Committees has been reviewed and we have standardized the wording of the rules and procedures to make them easier to read, understand and apply to their activities. This hard work was necessary to promote better consistency and facilitate day-to-day management.

As required by our mandate, we have reviewed our Honorarium, Per Diem and Expense Policies for National Directors, as well as the Per Diems for Committee members who attend meetings. We established criteria regarding the payment of per diems to members of the Board of Directors and the various Committees based on the number of hours of attendance in meetings or assemblies, whether virtual or in person.

A New Feature for Greater Transparency

Since it is our mandate to be as transparent as possible to our Members, from now on, individuals who would like to get involved by being part of one or more Committees will be able to do so by filling out an application form which

will be available on the Association's website and from Committee Chairpersons. All applications will be reviewed by the Human Resources Committee who will in turn make recommendations to the Board of Directors.

Sylvie Mahannah, Chair

Shows and Judging

The Show & Judging Committee meets 3x annually to review best practices for conducting a show, to ensure that the regulations, code of conduct and the code of ethics are current and to ensure that all shows maintain confidence of consumer public perception while promoting the marketability of Canadian Cattle.

Additional Responsibilities include: Selection of the judge's ballot for the RAWF National Shows, selection of the All-Canadian Judges and recommending and maintaining standards for the National Official and Aspiring Judges lists.

The committee selected 3 outstanding individuals to be on the 2023 RAWF National Black & White Judges Ballot: Joel LePage, Adam Liddle and Mike Farlinger. As a result of an exhibitors vote, your 2023 National B&W Judge is Adam Liddle.

The committee selected 3 outstanding individuals to be on the 2023 RAWF National Red & White Judges Ballot: Jeff Stephens, Melanie Boulet and Markus Hehli. As a result of an exhibitors vote, your 2023 National R&W Judge is Jeff Stephens.

Judges for both the B&W and R&W National Shows will be ineligible to judge any show in North America after July 1, 2023.

A review of the All-Canadian Contest was completed to ensure fair and equitable judging from coast-to-coast. Judges from all regions who have judged any regional, provincial or major show will be considered for this list.

Holstein Canada hosted a National Judging school this year that took place in June. Invited guest judges from Canada and the United States participated in the two-day school that included class time and on-farm judging. Thank you to Quality Holsteins and Dandyland Holsteins for hosting the school.

The 2022 Royal Winter Fair and the National Shows saw historic numbers of cattle exhibited last year, an awesome testament to the enthusiasm in our great industry!

With record numbers came some logistical move-in challenges for our Holstein exhibitors. A solution-oriented collaboration between all parties to rectify the issue for the 2023 Royal Winter Fair is well underway.

Brian Slaughter, Chair

Risk Committee Report

The Risk Committee is in place to assist the Holstein Canada Board of Directors to be proactive in all areas where risk may occur; and to ensure that Management has appropriate policies, processes, and procedures in place to manage risk exposure. Initially focused on technological risk, the Committee has begun groundwork to expand beyond technology to include enterprise risk management practices which include business, industry, political, and environmental risks. The Committee maintains, reviews, and responds to priority items catalogued in an Enterprise Risk Register document annually.

Charged by the Risk Committee, Holstein Canada staff undertook several projects in 2022 to increase security and incident response. Working with an external provider, Holstein Canada underwent a Security Program Maturity Assessment and following that, created a Security Incident Response Plan. Identified priority areas of risk brought forward in the Security Program Maturity Assessment were actioned in 2022. The Security Incident Response Plan is a live document that will continue to be updated and maintained current allowing for a quick and effective recovery should a cyber attack occur.

In 2022 Holstein Canada acquired a comprehensive Cyber Insurance Policy with a wide range of coverage from Ransomware, Wire Fraud, Phishing, Data Breaches, and more. Holstein Canada continues to invest in increasing the security of its systems through 2023.

The Risk Committee will be evaluating all perils that we currently have coverage for; fire, auto, theft, liability, business interruption, cyber, and electrical interruption to name a few. The Committee will review all contracts, and methods to ensure our programs continue.

Doug Peart, Chair

Young Leaders Advisory

The Young Leader Advisory Committee had several virtual meetings in the last year to entice new ways of engagement with future leaders of our industry. The current committee members include: Audrey Morneau and Lysanne Pelletier representing Quebec, Alex Dolson and Kirstan Bennett representing Ontario, Mark Sweetnam and James Pruiim representing our Western provinces, and myself, Cynthia Campbell, representing Atlantic Canada. At each of our meetings we have a portion of our agenda dedicated for our board members, Karen Versloot and Willem Van der Linde, to share what's new and exciting at Holstein Canada. A big focus for 2022 and 2023 was to work more closely with the Board of Directors.

We were so thrilled to have the National Convention Program take place in April of 2022 in person again! There is no better way to network than to spend a week with

comrades of similar age and interest. At the committee's in-person meeting last April, we decided to address young leaders from a more local perspective going forward. We approached the year thinking outside the box and found ways to engage more members than just those Young Leader Committee members and delegates. Something new for 2023, we introduced a Local's Convention Package at the 2023 Convention. Holstein youth outside of the delegates had the opportunity to join us for our workshop session, the AGM, and the Master Breeder Gala. This has been a great opportunity to be more inclusive!

In July, the committee was introduced to Holstein Canada's new Strategic Plan. The Young Leader Advisory Committee presented the Board of Directors a list of 10 new ideas to help Holstein Canada retain, recruit, create efficiencies, and gain new business on a national and international level.

Other events we carried out as a committee include: coordinating the National Barn Cow Competition with special thanks to our judge, Jon Raymond Dykstra, awarding 6 successful undergrads with a \$1000 scholarship, and begin to create our own content in the Info Holstein.

The Young Leader Committee is an exciting opportunity that allows for education on good governance, agility for networking and seminars for improved on-farm management.

Cynthia Campbell, Chair





Investing in today's youth, to prepare tomorrow's leaders!

Want to learn more or be part of the action?

Contact the Young Leader Chair or Holstein Canada Resources for more information on the Young Leaders Program.



www.holstein.ca | youngleader@holstein.ca



2022 Financial Report

Kathryn Chapman, Controller

Your Holstein Team

In 2021 the employee structure and compensation review was started with the restructuring of several staff positions. Phase 2, in 2022, was to review the job definitions and pay equity to market for all roles within the Organization. In 2023 we will be designing the employee development program and performance evaluations.

Total Revenues Year-over-Year Increased by 5%

Registration revenue was down 6% and Transfers down 7% from the previous year due to the increase in the use of sexed semen, beef semen, and the decrease in replacement needs in 2021 which resulted in less females / registrations. Genomic testing revenue grew 21% from 2021 attributed to bundle pricing, team training, the enhanced Clarifide product offering. Classification dollars were 4% higher than the year before and Animal Care Assessments up 13%. Overall, there was a 5% increase in total revenue year over year.

"A Return to a New Normal"

2022 allowed for many staff to return to the office and a hybrid work environment. In-person meetings and events became a reality once again. 2022 saw dramatic fluctuations in fuel prices which resulted in a significant impact on the hospitality industry driving the cost of meals, hotels, airfare etc. to come in approximately 32% above the previous year.

Careful maintenance of expenses on our events resulted in them coming in just under budget.

Cash Position

A larger than expected deficit year resulted in tight cash management. As we ended the year drawing on our rotating Line of Credit to meet our obligations, a combination of strategic financing decisions will afford us some coverage through the new year when we expect to see increase cash flow resulting from our announced price changes.

Support for Canadian Dairy Producers

To help western farmers challenged by the wildfires and summer drought conditions in 2021, our support was continued by crediting late Registration fees in the first quarter of 2022. In September of 2022, Hurricane Fiona devastated Atlantic Canada and was considered one of the costliest weather conditions to impact the region in history. Holstein Canada suspended late Registration fees and administration charges from September of 2022 through to the end of January 2023.

Reserve Fund

Holstein Canada maintains a Reserve Fund to finance ongoing operations in case of business interruption. A minimum balance of \$4M is designated solely for emergency purposes with the excess available to finance future projects. Funds are invested in accordance with the Investment Policy, which is reviewed periodically by the Audit & Finance Committee and the Board of Directors. With careful management of the portfolio by RBC Dominion Securities there was a realized loss limited to 0.10% while an unrealized loss of \$141K was recorded to maintain our book balance to equal the market value. With economic inflation prevalent in 2022, we will be re-evaluating the minimum required balance in 2023.

Financial Statements of

**HOLSTEIN ASSOCIATION
OF CANADA**

And Independent Auditor's Report thereon

Year ended December 31, 2022



KPMG LLP
Commerce Place
21 King Street West, Suite 700
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Canada
Tel 905-523-8200
Fax 905-523-2222

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Holstein Association of Canada

Opinion

We have audited the accompanying financial statements of Holstein Association of Canada (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2022,
- 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, 2022, 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 "**Auditor's Responsibilities for the Audit of the Financial Statements**" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of 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.



Page 3

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our 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.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Professional Accountants, Licensed Public Accountants,

Hamilton, Canada

March 23, 2023

HOLSTEIN ASSOCIATION OF CANADA

Statement of Financial Position

December 31, 2022, with comparative information for 2021

	Operating Fund	Reserve Fund	2022 Total	2021 Total
Assets				
Current assets:				
Cash (note 2)	\$ 53,593	\$ 128,976	\$ 182,569	\$ 2,042,821
Accounts receivable (note 3)	1,637,921	–	1,637,921	1,728,855
Other receivables	81,468	–	81,468	61,176
Inventory	26,306	–	26,306	37,337
Prepaid expenses	212,121	–	212,121	236,466
Investments (note 4)	–	6,423,052	6,423,052	5,414,074
	2,011,409	6,552,028	8,563,437	9,520,729
Capital assets (note 5)	2,343,141	–	2,343,141	2,238,691
	\$ 4,354,550	\$ 6,552,028	\$ 10,906,578	\$ 11,759,420
Liabilities and Fund Balances				
Current liabilities:				
Accounts payable and accrued liabilities (note 6)	\$ 2,144,503	\$ 2,500	\$ 2,147,003	\$ 1,441,681
Deferred revenue (note 7)	185,151	–	185,151	254,859
Current portion of long-term debt (note 8)	124,322	–	124,322	217,739
Demand facility (note 2)	145,000	–	145,000	–
	2,598,976	2,500	2,601,476	1,914,279
Long-term debt (note 8)	34,245	–	34,245	158,387
	2,633,221	2,500	2,635,721	2,072,666
Fund balances:				
Reserve (note 12)	–	6,549,528	6,549,528	6,556,114
Operating	1,721,329	–	1,721,329	3,130,640
	1,721,329	6,549,528	8,270,857	9,686,754
Commitments (note 11)				
COVID-19 (note 13)				
	\$ 4,354,550	\$ 6,552,028	\$ 10,906,578	\$ 11,759,420

See accompanying notes to financial statements.

HOLSTEIN ASSOCIATION OF CANADA

Statement of Operations and Changes in Fund Balances

Year ended December 31, 2022, with comparative information for 2021

	Operating Fund	Reserve Fund	2022 Total	2021 Total
Revenue:				
Herdbook services	\$ 7,881,307	\$ –	\$ 7,881,307	\$ 7,619,255
Classification and assessment	5,191,283	–	5,191,283	4,903,260
Membership fees	297,997	–	297,997	304,599
Finance and facilities	146,091	–	146,091	43,497
Other	83,267	–	83,267	59,865
	13,599,945	–	13,599,945	12,930,476
Expenses:				
Herdbook services	\$ 4,903,508	\$ –	\$ 4,903,508	\$ 4,439,680
Classification and assessment	4,361,033	–	4,361,033	3,704,773
Strategic communication	899,511	–	899,511	721,093
Executive and administration	1,235,934	–	1,235,934	969,237
Business and technology solutions	1,860,275	–	1,860,275	1,514,801
Finance and facilities	833,597	–	833,597	762,631
Human resources	281,902	–	281,902	238,071
Data exchange services and research	419,706	–	419,706	419,794
Other	213,790	29,539	243,329	206,235
	15,009,256	29,539	15,038,795	12,976,315
Deficiency of revenue over expenses before the undernoted	(1,409,311)	(29,539)	(1,438,850)	(45,839)
Other income (expenses):				
Canadian Emergency Wage Subsidy	–	–	–	202,684
Canadian Emergency Rent Subsidy	–	–	–	1,833
Investment income	–	163,944	163,944	158,177
Restructuring costs	–	–	–	(225,730)
Realized loss on investments	–	(22,904)	(22,904)	(20,057)
Unrealized loss on investments	–	(118,087)	(118,087)	343,471
	–	22,953	22,953	460,378
(Deficiency) excess of revenue over expenses	(1,409,311)	(6,586)	(1,415,897)	414,539
Fund balance, beginning of year	3,130,640	6,556,114	9,686,754	9,272,215
Transfer (to) from other funds (note 12)	–	–	–	–
Expenses paid on behalf of other funds	–	–	–	–
Fund balance, end of year	\$ 1,721,329	\$ 6,549,528	\$ 8,270,857	\$ 9,686,754

See accompanying notes to financial statements.

HOLSTEIN ASSOCIATION OF CANADA

Statement of Cash Flows

Year ended December 31, 2022 with comparative information for 2021

	2022	2021
Cash flows from operating activities:		
Excess (deficiency) of revenues over expenses	\$ (1,415,897)	\$ 414,539
Items not involving cash:		
Amortization	342,299	371,765
(Gain) loss on disposal of capital assets	(9,374)	2,077
Realized loss on sale of investments	22,904	20,057
Unrealized (gain) loss on investments	118,087	(343,471)
Change in non-cash assets and liabilities:		
Accounts receivable	90,934	(25,643)
Other receivables	(20,292)	25,511
Inventory	11,031	7,527
Prepaid expenses	24,345	55,193
Accounts payable and accrued liabilities	705,322	343,862
Deferred revenue	(69,708)	111,591
	(200,349)	983,008
Investing activities:		
Purchase of capital assets	(465,525)	(120,824)
Proceeds on disposal of capital assets	28,150	17,900
Proceeds on sale of investments	713,525	663,467
Purchase of investments	(1,863,494)	(987,629)
Change in restricted cash	1,015,564	(407,030)
	(571,780)	(834,116)
Financing activities:		
Repayment of long-term debt	(217,559)	(254,746)
Revolving demand facility loan	145,000	367,368
	(72,559)	112,622
Increase (decrease) in cash	(844,688)	261,514
Cash, beginning of year	898,281	636,767
Cash, end of year	\$ 53,593	\$ 898,281

See accompanying notes to financial statements.

HOLSTEIN ASSOCIATION OF CANADA

Notes to Financial Statements

Year ended December 31, 2022

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.

HOLSTEIN ASSOCIATION OF CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2022

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, \$74,748 (2021 - \$97,513) is included in accounts payable and accrued liabilities relating to these amounts. At year end, \$12,316 (2021 - \$15,773) 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.

HOLSTEIN ASSOCIATION OF CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2022

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.

HOLSTEIN ASSOCIATION OF CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(n) Use of estimates:

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and may have impact on future periods.

2. Cash:

The Association's bank accounts are held at one chartered bank. The bank accounts earn interest at a nominal rate. Included with cash is \$128,976 (2021 - \$1,144,540) in internally restricted funds held in a high-interest savings account earning interest at a rate of 0.45% (2021 - 0.45%).

The Association has a revolving demand facility totaling \$825,000 which bears interest at the bank's prime rate plus 0.30% per annum. At year end, \$145,000 of the facility was utilized (2021 - \$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 \$102,537 of the facility was utilized (2021 - \$60,694) which is included in accounts payable and accrued liabilities on the statement of financial position.

3. Accounts receivable:

Accounts receivable represents trade receivables for membership fees, services and products and are net of an impairment allowance of \$33,453 (2021 - \$30,000).

4. Investments:

	2022	2021
Guaranteed investment certificates	\$ 3,749,246	\$ 2,116,496
Bonds and debentures:		
Canadian provincial and public authorities	593,013	1,049,907
Canadian corporate bonds	131,209	146,037
Equities:		
Preferred shares	46,935	61,218
Common shares	1,866,895	1,993,531
Foreign securities	35,754	46,885
	\$ 6,423,052	\$ 5,414,074

HOLSTEIN ASSOCIATION OF CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2022

4. Investments (continued):

The guaranteed investment certificates earn interest at a rate ranging between 1.20% - 5.30% (2021 - 1.15% - 3.01%). The Canadian provincial and public authorities bonds have interest rates between 1.65% - 4.60% (2021 - 1.65% - 4.70%). These investments will mature within a period of 1 - 5 years and are readily converted into cash.

The preferred dividend yields range from 4.90% - 5.20% (2021 - 4.90% - 5.20%). The common shares have no fixed maturity dates and are generally not exposed to interest rate risk. Dividends are generally declared on an annual basis.

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

5. Capital assets:

			2022	2021
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 328,851	\$ -	\$ 328,851	\$ 328,851
Building	3,008,125	2,105,980	902,145	1,002,416
Building improvements	268,520	126,996	141,524	35,703
Fafard sculpture	179,686	-	179,686	179,686
Office furniture and equipment	437,676	382,698	54,978	61,782
Automobiles	1,076,890	526,747	550,143	456,986
Computer hardware and software	723,003	537,189	185,814	173,267
	\$ 6,022,751	\$ 3,679,610	\$ 2,343,141	\$ 2,238,691

6. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$50,989 (2021 - \$60,394).

7. Deferred revenue:

	2022	2021
Membership fees	\$ 67,654	\$ 69,087
Product and service revenue	104,967	166,668
Other	12,530	19,104
	\$ 185,151	\$ 254,859

HOLSTEIN ASSOCIATION OF CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2022

8. Long-term debt:

	2022	2021
Revolving term loan, repayable in monthly installments of \$2,305 including interest calculated at a rate of 1.75% per annum, maturing August 2022, secured by a general security agreement. Repaid in full during 2022.	–	18,669
Revolving term loan, repayable in monthly installments of \$2,352 including interest calculated at a rate of 4.60% per annum, maturing June 2022, secured by a general security agreement. Repaid in full during 2022.	–	13,982
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. Repaid in full during 2022.	–	63,521
Revolving term loan, repayable in monthly installments of \$7,911 including interest calculated at a rate of 2.05% per annum, maturing January 2024, secured by a general security agreement.	101,445	193,461
Revolving term loan, repayable in monthly installments of \$2,651 including interest calculated at a rate of 2.84% per annum, maturing October 2024, secured by a general security agreement.	57,122	86,493
	158,567	376,126
Current portion of debt	(124,322)	(217,739)
Long-term portion of debt	\$ 34,245	\$ 158,387

HOLSTEIN ASSOCIATION OF CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2022

8. Long-term debt (continued):

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

2023	\$	124,322
2024		34,245
	\$	158,567

The Association has a \$750,000 term loan credit facility and a \$750,000 revolving lease line of credit with RBC. The total combined borrowings under these two facilities may not exceed \$750,000 at any given time. At year end, approximately \$158,567 (2021 - \$376,126) of the term loan facilities was utilized, with no drawings on the lease line of credit (2021 - \$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 \$183,419 (2021 - \$180,620).

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.

HOLSTEIN ASSOCIATION OF CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2022

10. Financial instruments (continued):

(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. Commitments:

The Association is committed to paying annual service fees for genetic evaluations activities carried out by the Canadian Dairy Network ("CDN"), a company doing business as Lactanet, pursuant to an agreement between the CDN, Canadian Artificial Insemination Centers, Canadian Milk Recording Agencies and Canadian Breed Associations. The estimated cost to the Association for fiscal 2023 is \$371,000, plus \$75,000 for dairy research as part of the DairyGen Council.

12. Reserve fund:

The Association has a reserve fund established to address for future contingencies and to fund specific projects. During the year, \$nil was transferred from the operating fund to the reserve fund (2021 - \$600,000).

13. COVID-19:

On March 11, 2020, the World Health Organization declared the Coronavirus (COVID-19) outbreak a pandemic. The pandemic has resulted in significant financial, market and societal impacts in Canada and around the world. The future impacts on the Association are not expected to be significant.

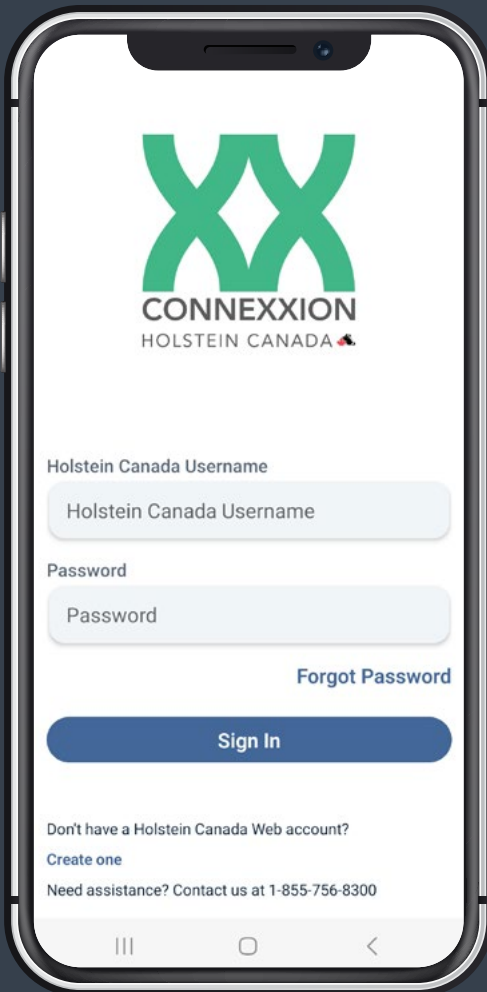

The Association was eligible and received the Canadian Emergency Wage Subsidy of \$nil during the year (2021 - \$202,684) and the Canadian Emergency Rent Subsidy of \$nil (2021 - \$1,833).



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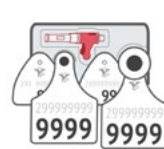
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