



Holstein Canada



2012 ANNUAL REPORT

CONNECTING WITH MEMBERS





Holstein Canada

MISSION STATEMENT

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

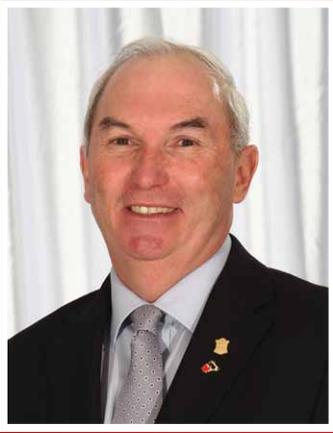
TABLE OF CONTENTS

President's Message	3
Board of Directors' Report	4
Chief Executive Officer Report	6
Strategic Plan 2013 and 2014	8
2012 Committees of the Board	9
Action Taken from 2012 Resolutions	12
Financial Report	17

Holstein Canada, 20 Corporate Place, Brantford, Ontario N3R 8A6
Phone: 519-756-8300 | **Toll Free: 1-855-756-8300** | Fax: 519-756-3502
www.holstein.ca



Closing ceremony during Holstein Show at 2012 Royal Agricultural Winter Fair



PRESIDENT'S MESSAGE

Glen McNeil
Goderich, ON

"With the passion of our members combined with the leadership and vision of your Board and CEO and our hard-working, dedicated staff, Holstein Canada will transition from Good to Great!"

It is with great pride, satisfaction, and anticipation of a bright-looking future for Holstein Canada that I address the 130th annual general meeting of Holstein Canada.

Words are inadequate to express my gratitude to the Board of Directors for the confidence they placed in electing me as your President of Holstein Canada. I have performed my responsibilities with the utmost respect for our caring and passionate members; our dedicated and hardworking staff; and our valued Industry Partners and colleagues. To the best of my ability, I have tried to act with the utmost professionalism in representing Holstein Canada during my presidency.

I have great pride in our strong, united Board of Directors. We have made proactive decisions and have tried to always set policy in the best interests of our 11,000 members. Following the decision of Brian Van Doormaal's return to Canadian Dairy Network as General Manager, the Holstein Canada Board exercised our responsibility in appointing the next Chief Executive Officer (CEO) by selecting Ann Louise Carson as the first female CEO of the Association. Ann Louise was raised on a Holstein Master Breeder farm in the Eastern Townships of Québec. Ann Louise is a fact-based person and a determined optimist with a strong female intuition. The Board of Directors is responsible to hire one person and Ann Louise is responsible for the hiring and management of all staff.

Ann Louise's strong leadership skills and the way all staff at the Association have responded to her style of management is indeed a great source of pride. The respect our members, branches, our Board, and Industry Partners have for Ann Louise is very impressive. The most important ingredient of success is building meaningful relationships and knowing how to get along with people. Ann Louise, thank you very much for all of the help that you have personally given me this past year as President. I would also like to extend my sincere thanks to our Vice-President and Chair of the Board, Richard Bosma for all of his assistance in my year as President.

At the Dairy Farmers of Canada (DFC) Annual Meeting in Newfoundland in July 2012, Holstein Canada first committed our support to DFC and to supply management in Canada, on behalf of our membership. We continue to be a vocal advocate of supply management.

With the participation of many keen Holstein Canada members, the advance planning and hard work of our entire staff, combined with our Industry Partners strong support and cooperation, Holstein Canada was very instrumental in successfully hosting the first-ever World Holstein Conference to be held in Canada. Over 600 delegates from 39 countries around the world experienced our Canadian hospitality, our industry cooperation, and the amazing Holstein shows at the Royal Agricultural Winter Fair.

Our Board hosted a Staff Appreciation Christmas Dinner in December to recognize and thank our staff for all their hard work throughout the year on behalf of our members. We also raised \$1500.00 that evening through a fun auction, with the proceeds donated to the Canadian Cancer Society.

I look forward with excitement and anticipation as Holstein Canada continues to provide genetic improvement programs to enhance profitability for all dairy producers. This will be done with many projects in our Strategic Plan such as Multi-Breed Registration; the ever-evolving Classification program; and genomic testing as a management tool on our progressive, profit-minded dairy farms.

With the passion of our members combined with the leadership and vision of your Board and CEO and our hard-working, dedicated staff, Holstein Canada will transition from good to great!

Finally and most sincerely, I would like to thank my family—Katie, Dan, and Curtis who very capably managed the farm and especially my wife Vanda for her continual love, support, and sacrifices she has made to enable me to have this enriching experience.

A handwritten signature in black ink that reads "Glen McNeil". The signature is written in a cursive, flowing style.



BOARD OF DIRECTORS' REPORT

Chairman Richard Bosma
Abbotsford, BC

"We plan to remain relevant as we anticipate and prepare for the coming needs of our owners, customers and clients. We are very aware that you have elected us to direct and protect your organization, and we plan to lead it forward into a successful future."

As members of the Board of Holstein Canada, we all arrived in turn, eager to represent our constituency. However, it was immediately impressed upon each of us that 'national' solutions must be achieved. A challenge perhaps, as unique individuals with distinct backgrounds from different regions debate the issues of the day.

It turns out that what unites us is stronger than that which divides us. We are all passionate about great cattle and a healthy dairy industry. Our vision statement clarifies our common goal as "Leadership in Dairy Genetics". Our mission statement further describes this as "providing leadership through genetic improvement programs to enhance profitability for all dairy producers." A defining role that the Board takes very seriously is that of being guardians of the owner's interests.

In the past year, committees including Governance, Audit and Risk, Finance, Classification Advisory, Breed Advisory, Show, Awards and Youth made numerous recommendations to the Board that were considered and then endorsed. Those proposals relating to bylaw amendments will be presented at the 2012 Annual Meeting for membership approval. The Board also spent time reviewing and implementing appropriate actions and responses to Resolutions that were passed at last year's Annual Meeting.

In response to a Resolution passed last year, and to achieve a more appropriate connection to members and better division of work load, the Board has endorsed the proposed increase in the number of national directors representing the provinces of Ontario and Québec to four each.

To achieve smoother succession, the Board is proposing to elect a 2nd vice-president annually, and for greater continuity will be mandating two directors to sit on each standing committee. Further endorsed by the Board, for the purpose of efficiency, is the proposal that directors be elected for three-year terms and have the opportunity to serve nine years in total.

To achieve better focus, the Board agreed that the Audit, Risk Management and Finance Committee should become two distinct committees each with specific roles and responsibilities. The board also continues to obtain legal clarification and understanding of the possible implications of the new Not-For-Profit Corporations Act.

In an effort to update the Breed Strategy document of 1997, the Board agreed to revise the strategy within the next year, factoring in changes such as genomics, new dairy technology (i.e. robotic milkers) and a very different dairy economy. After soliciting feedback from membership, a Breed Strategy workshop will be connected to the 2014 Annual Meeting to be held in Sherbrooke, Québec.

In response to several Resolutions passed at recent Annual Meetings, the Board agreed to modify the Master Breeder and Star Brood point calculation system. The changes place greater emphasis on longevity and keep the awards relevant by raising the bar on production requirements. As well, the Board agreed that in addition to families and corporations, institutions should also be eligible for the Century of Holsteins Award.

In order to harmonize Show Awards across Canada, beginning in 2013 the Board agreed to use Prefix only for the calculation of Premier Breeder Awards. Also, the Board endorsed the concept of a second national show in addition to the Royal Agricultural Winter Fair. This new national show will be held in conjunction with Holstein Canada's rotating Annual Conventions and managed in collaboration with local organizing committees. By 2014, Holstein Canada will be fully involved in this new national show in regard to the monitoring, funding and enforcement of show ethics.

A meeting with executives of the Canadian Red and White Holstein Club during the past year resulted in a win-win, where the Board agreed to expand both the Breed Advisory and Show committees by one member each, with those members to be drawn from the ranks of the Red and White Holstein breeders.

To demonstrate a greater investment in our youth, the Board agreed to increase funding for Bovine Medicine Awards to \$1000 each (from \$400) and Education Awards to \$1000 each (from \$750). This change directs an additional \$4900 per year towards youth programs.

Receiving board approval this past year is the newly released genomic test known as the LD+ which provides convenience and cost saving. From one DNA sample and for a price of \$60, several tests are packaged together; parentage verification, genomics, coat colour, BLAD and DUMPS.

The Board would like to thank CEO Ann Louise Carson for her commitment and diligence in managing the organization. She has motivated employees, driven change within the organization, kept the Board well advised and sought authorization whenever required. Every decision she has made has strengthened our confidence in her leadership capabilities.

The Board would also like to acknowledge and thank retiring director Glen McNeil for nine years of service on various committees and for his outstanding contribution in his final year as President. His dedication, pursuit of proper protocol, and desire for excellence in governance were an inspiration to us all.

The torch of leadership has been passed down through the years, and the privilege to serve as your Board for 2012 was not taken lightly. We plan to remain relevant as we anticipate and prepare for the coming needs of our owners, customers and clients. We are very aware that you have elected us to direct and protect your organization, and we plan to lead it forward into a successful future.



2012 National Board of Directors



(back row, l-r) Harry Van Der Linden, NS; Ron Boerchers, MB; John Buckley, ON; Orville Schmidt, AB; Mario Perreault, Qc
(front row, l-r) Elyse Gendron, Qc; Ron Sleeth, ON; Glen McNeil, ON; Richard Bosma, BC; Robert Chabot, Qc



CHIEF EXECUTIVE OFFICER'S REPORT

Ann Louise Carson

"The Canadian Dairy industry has 3 keys to its success – 3 reasons why we have such great 'balanced' cows respected around the world:

- *The passion of its farmers*
- *Supply Management*
- *Strong links among Industry Partners – almost all producer-owned and governed."*

It is with great humility and appreciation that I present my first CEO report to the membership of Holstein Canada. With humility, as despite the fact I have been affiliated in some way or other with the Association all my life, I am continuously impressed by the respect our organization - your organization – has across Canada and around the world. The *World Holstein Conference* held in Canada in November 2012 was yet another very clear example of this. What a feel good event, which put Canada, Holsteins and more importantly, Canadian Holstein breeders front and center on the world stage. Thank you to members for being such great supporters of this 'once in a lifetime' event.

Looking back at 2012

In the pages of this report, various tables will show you the details of 2012 and the statistical success of our core services. A quick overview:

- **Registrations** hit a record level, up 3% from the previous year, a level we aim to maintain in 2013
- Transfers were up 1%
- **Genotesting**, a relatively new service, increased 7% and we feel this will only expand due to a new panel (Low Density +) launched in late 2012, and an option as of April 2013, for breeders to GenoTest males
- **Classification** also had a very good year with almost record levels of cows being classified (+1% over 2011), with herd visits down 9% and mid-round up 7%. We will work very hard in 2013 onwards to decrease the time between herd visits.

The above activity, and sound financial expense management, resulted in a modest operational profit.

Looking ahead to 2013

It has been said over and over again – our industry is changing very quickly. With the guidance of the Board of Directors, who clearly stated in early 2012 'Status quo is not an option', much time was spent reflecting on what services our members want us to provide in order to enhance the profitability of their dairy farms. We asked as many members as possible, either at their farm or via Branches, what we are doing well – and what we need to do better. And we listened. And then we acted!

The results of these reflections are tabulated in the summary of the *Holstein Canada Strategic Plan* for 2013 and 2014, found on page 8. **Accountability** is an important value at Holstein Canada, and in the spirit of accountability, we want to share with you, the members, what your Association will be focused on for the next two years to meet your needs. Each of the specific projects has very tangible milestones and deadlines, because as we all know time is money!

The projects are designed to help us reach our goals in our core services by keeping up with technological advances and adjusting services to the changing demographics – both herd demographics and human demographics. The new generation inspires us to be the best we can be – and quickly! They will not wait. And why should they?

From our feedback sessions with Branches and from listening to members, another area in which we will be more active is Field Service/Extension work. At Holstein Canada, we take nothing for granted in this changing world: we need to work on both herd recruitment AND herd retention. We know economics influence every decision our members make and it is our job to show the value and return on the investment of our services. This motivates us to be more present with you the members in Extension work for all our services (working closely with Branches), including explaining the value-added aspect of genomics for genetic improvement, when used as one of the many tools available to you. Economics is also the motivating factor in our more vocal support, on your behalf, of Supply Management.

The strength of Canadian Partners

The Canadian Dairy industry has 3 keys to its success – 3 reasons why we have such great ‘balanced’ cows respected around the world:

- The passion of its farmers
- Supply Management
- Strong links among Industry Partners – almost all producer-owned and governed.

At Holstein Canada, we focus on all three! Today, I want to thank all Industry Partners, including the provincial Branches and other Breed Associations, for their great support – from financial support, to the sharing of human resources and ideas for the common good of Canadian dairy producers, they have been there for Holstein Canada. I want to reassure them we will also be there. It makes us so uniquely Canadian!

With great appreciation

I started my report by stating I am presenting it with great humility (explained!) and appreciation. Allow me to express sincere appreciation to the many people who welcomed me with open minds and arms in my ‘rookie’ year: Brian Van Doormaal, outgoing CEO/Partner CEO, a very supportive Board of Directors, President Glen McNeil, Branches, Industry staff, and you, the members across Canada. You made it all so enjoyable!

My last word of thanks is for the Holstein Canada Team: a group of very dedicated individuals who know exactly who they work for – Holstein farmers across Canada – and are very proud to do so. A new CEO means many changes for staff and they have embraced this change and risen to new challenges. They inspire me to be the best I can be, so that together, we can be all you need us to be.



Holstein Canada Management Team



(l-r): Peter Brand (Business & Technology Solutions), Ann Louise Carson (Chief Executive Officer), Linda Helmer (Human Resources), Bethany Muir (Classification & Field Services), Rhonda Morley (Chief Financial Officer), Alain Lajeunesse (Market Development & Communications) and Linda Markle (Herdbook & Genotyping Services)

STRATEGIC PLAN 2013 AND 2014

Holstein Canada Mission

The mission of Holstein Canada is to provide leadership through genetic improvement programs to enhance profitability for all dairy producers.

Holstein Canada Vision

Leadership in Dairy Genetics



2012 COMMITTEES OF THE BOARD

AUDIT, RISK MANAGEMENT AND FINANCE

Ron Boerchers (MB)
 Kevin Smith (ON)
 Mario Perreault (Qc) (Chair)
 Ron Sleeth (ON)
 Rhonda Morley (Management Advisor)

AWARDS

Richard Bosma (BC)
 Elyse Gendron (Qc) (Chair)
 Harry Van der Linden (NS)
 Ann Louise Carson (Management Advisor)

BREED ADVISORY

Gilles Côté (Qc)
 Joop Garretsen (AB)
 Mathieu Lemire (Qc)
 Dennis E. Martin (ON)
 John Schenkels (NB)
 Richard Bosma (BC) (Board Rep.)
 Harry Van Der Linden (NS) (Board Rep.) (Chair)
 Bethany Muir (Management Advisor)

CLASSIFICATION ADVISORY

Frank Donkers (ON)
 Calvin Fornwald (SK)
 Ben Loewith (ON)
 Callum McKinven (Qc)
 Bloyce Thompson (PE)
 Robert Chabot (Qc) (Board Rep.) (Chair)
 Mario Perreault (Qc) (Board Rep.)
 Bethany Muir (Management Advisor)
 Dr. Gordon Atkins (AB) (veterinarian)
 Brian Carscadden (ON) (A.I.)

COW OF THE YEAR NOMINATION COMMITTEE

Lorne Briscoe (ON)
 Stéphane Dufour (Qc)
 Éric Laliberté (Qc)
 Dave McMorrow (ON)
 Orville Schmidt (AB) (Board Rep.) (Chair)
 Alain Lajeunesse (Management Advisor)

SHOW COMMITTEE

Dale Bienert (AB)
 John Devries (ON)
 Tyler Doiron (Qc)
 Alan Hawthorne (ON)
 Thierry Jatton (Qc)
 Jamie Lewis (PE)
 Jason Vis (ON)
 John Buckley (ON) (Board Rep.) (Chair)
 Robert Chabot (Qc) (Board Rep.)
 Alain Lajeunesse (Management Advisor)

GOVERNANCE

Richard Bosma (BC)
 Martin Caron (Qc) (external)
 Elyse Gendron (Qc)
 Glen McNeil (ON)
 Ron Sleeth (ON) (Chair)
 Ann Louise Carson (Management Advisor)

NATIONAL / BRANCH JOINT MEETING REPRESENTATIVES

Richard Bosma (BC)
 Elyse Gendron (Qc)
 Glen McNeil (ON)
 Orville Schmidt (AB) (Chair)
 Harry Van der Linden (NS)
 Ann Louise Carson (Management Advisor)

ELECTION

Court Carmichael (ON) (Chair)
 Terry Charlton (ON)
 James Cranston (ON) (alternate)



Breed Advisory Committee



Classification Advisory



Show Committee



Governance Committee

2012 EDUCATION AWARD WINNERS



Rianne Dykstra

Moncton, NB



Pier-Olivier Lehoux

Saint-Elzéar, Qc



Mathieu Rouleau

Saint-Chrysostome, Qc



Jennifer Charlton

Brantford, ON



Ron Groen

Teeswater, ON

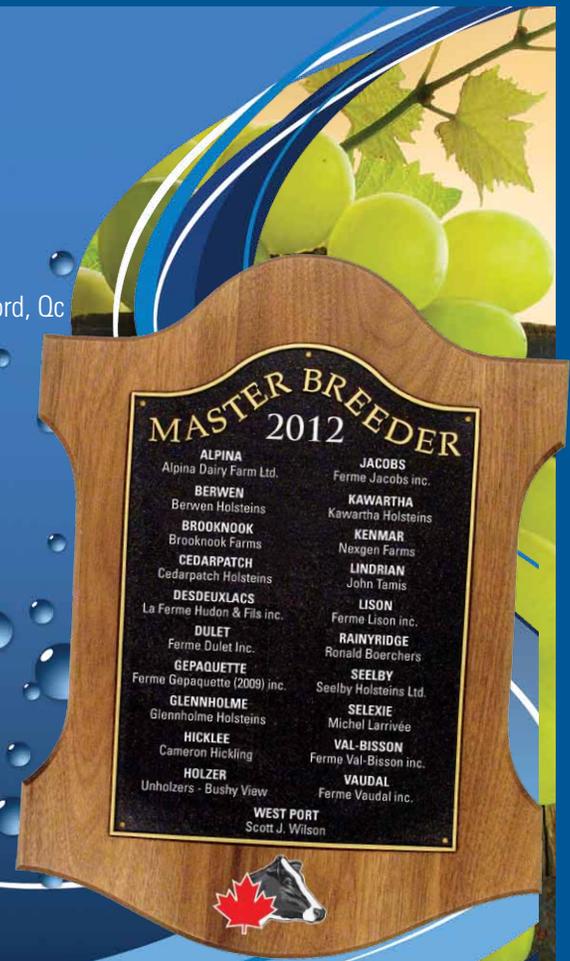


Brittney Schurmann

Abbotsford, BC

2012 MASTER BREEDERS

Alpina Dairy Farm Ltd.	ALPINA	Abbotsford, BC
Berwen Holsteins	BERWEN	Cumberland, ON
Brooknook Farms	BROOKNOOK	Chilliwack, BC
Cedarpatch Holsteins	CEDARPATCH	Mildmay, ON
La Ferme Hudon & Fils Inc.	DESDEUXLACS	St. Anaclet, Qc
Ferme Dulet Inc.	DULET	St. Pascal, Qc
Ferme Gepaquette (2009) Inc.	GEPAGUETTE	St. Paul d'Abbotsford, Qc
Glennholme Holsteins	GLENNHOLME	Carp, ON
Cameron Hickling	HICKLEE	Hanover, ON
Unholzers - Bushy View	HOLZER	Lakeside, ON
Ferme Jacobs Inc.	JACOBS	Cap Sante, Qc
Kawartha Holsteins	KAWARTHA	Lindsay, ON
Nexgen Farms	KENMAR	Steelman, SK
John Tamis	LINDRIAN	Surrey, BC
Ferme Lison Inc.	LISON	Audet, Qc
Ronald Boerchers	RAINYRIDGE	Laurier, MB
Seelby Holsteins Ltd.	SEELBY	Seeleys Bay, ON
Michel Larrivée	SELEXIE	Ham Nord, Qc
Ferme Val-Bisson Inc.	VAL-BISSON	St. Polycarpe, Qc
Ferme Vaudal Inc.	VAUDAL	Vaudreuil, Qc
Scott J. Wilson	WEST PORT	Port Perry, ON



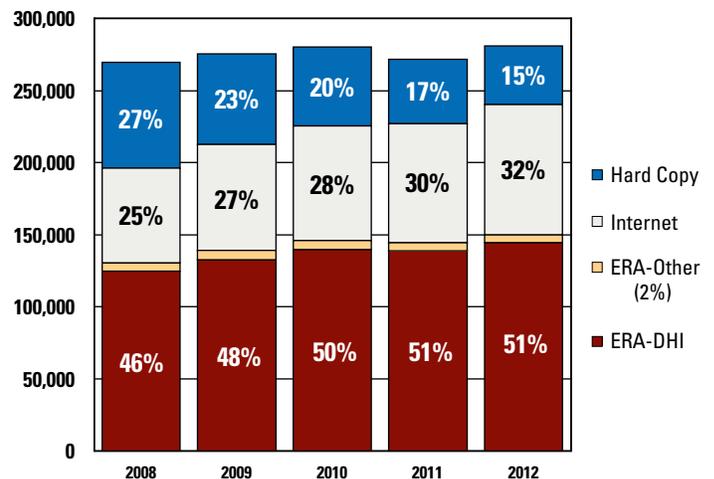
STATEMENT OF OPERATIONS (comparative by province)

	TOTAL MEMBERSHIPS		PUREBRED REGISTRATIONS		PERCENTAGE REGISTRATIONS		RECORDED REGISTRATIONS		TOTAL TRANSFERS	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
ONTARIO	3,986	4,042	78,074	76,138	18,670	17,965	2,930	2,612	11,596	10,942
QUEBEC	5,052	5,122	85,320	82,011	14,827	15,050	2,184	2,070	14,505	14,184
NEW BRUNSWICK	192	193	3,825	3,908	1,051	941	187	225	262	392
NOVA SCOTIA	208	211	4,182	4,335	643	544	110	120	423	480
NEWFOUNDLAND	16	18	287	343	858	1,824	91	38	57	42
PRINCE EDWARD ISLAND	179	178	4,090	3,650	573	553	90	60	781	719
MANITOBA	273	282	7,502	7,203	2,515	2,595	472	1,041	778	1,018
SASKATCHEWAN	138	138	4,750	4,751	1,598	1,383	277	259	918	893
ALBERTA	491	504	18,480	17,226	6,054	5,920	874	1,004	2,257	2,549
BRITISH COLUMBIA	410	410	13,590	12,713	4,691	4,190	1,825	1,111	1,245	1,256
INTERNATIONAL	4	4	0	0	0	0	0	0	374	380
TOTALS:	10,949	11,102	220,100	212,278	51,480	50,965	9,040	8,540	33,196	32,855

CLASSIFICATION ACTIVITY

	2008	2009	2010	2011	2012
REGULAR	13,160	12,318	13,755	12,864	16,158
MID-ROUNDS	3,924	4,804	4,828	4,918	5,253
SPECIALS	1	10	6	6	6
HOLSTEIN ANIMALS	220,606	225,839	239,651	235,097	236,569
OTHER DAIRY BREED ANIMALS	14,724	14,583	16,250	16,097	16,273
TOTAL ANIMALS	235,330	240,422	255,901	251,194	252,842

SUMMARY OF REGISTRATIONS BY SOURCE



CLASSIFICATION ACTIVITY BY PROVINCE

	ROUND 81 - MAY '11 - FEB '12				ROUND 82 - JAN '12 - OCT '12			
	REGULAR HERDS	MID-ROUND HERDS	HOLSTEIN ANIMALS	OTHER BREED ANIMALS	REGULAR HERDS	MID-ROUND HERDS	HOLSTEIN ANIMALS	OTHER BREED ANIMALS
BRITISH COLUMBIA	285	125	9856	431	289	128	9463	361
ALBERTA	307	160	10537	311	306	158	10443	302
SASKATCHEWAN	81	48	3743	84	75	51	3454	58
MANITOBA	172	79	5188	231	164	77	5033	194
ONTARIO	2549	1170	52181	3560	2554	1250	54494	4056
QUEBEC	4214	1392	61828	5237	4239	1437	68304	5833
NEW BRUNSWICK	121	44	2530	275	112	50	2651	245
PRINCE EDWARD ISLAND	115	70	2592	109	109	67	2881	90
NOVA SCOTIA	136	76	3369	164	133	83	3450	183
NEWFOUNDLAND	8	2	421	0	9	5	448	0
ALL	7,988	3,166	152,245	10,402	7,990	3,306	160,621	11,322

ACTION TAKEN FROM 2012 RESOLUTIONS

1. SPLIT EMBRYO BULLS

Submitted by: Ontario Holstein Branch

"Whereas two bulls resulting from a split embryo will share the same DNA but show slightly different physical traits; and

Whereas it has been shown that two bulls from a split embryo have different initial daughter proofs; and

Whereas it is up to the breeder that is paying for the semen to make the choice on which bull they would prefer to use in their herd; and

Whereas some health traits may not be similar that are becoming increasingly more important to Canadian breeders;

Therefore be it resolved that Holstein Canada request the Genetic Evaluation Board (GEB) of the Canadian Dairy Network (CDN) to have bulls from split embryos have individual proofs so that breeders can make the informed and educated decision on which bull they would use."

Submitted by: Manitoba Holstein Branch

"Whereas Manitoba Holstein breeders want and need accurate individual bull proofs to facilitate their mating decisions; and

Whereas the reputation of Holstein Canada depends partially on the accuracy and integrity of the information it publishes; and

Whereas the reputations of Canadian Holstein Breeders is also based partially on the reputation of Holstein Canada;

Therefore be it resolved that Holstein Canada neither accept as official or publish any pooled or blended bull proofs once progeny is included in the database."

Submitted by: Québec Holstein Branch

"Whereas it has been decided that in the case of females with identical genes (ETM), the females keep their own Genomic Life Profit Index (GLPI); and

Whereas it has not been proven that males with identical genes (ETN) show their genetic potential in the same way (epigenetic);

Therefore be it resolved that Holstein Canada compel the Canadian Dairy Network (CDN) to allow bulls with identical genes to keep their own individual proofs."

ACTION: Holstein Canada submitted a letter following the AGM to the Canadian Dairy Network (CDN) highlighting concerns of members on this issue. A response was received indicating the situation would remain as is, and would be closely monitored.

2. CLASSIFICATION OF BULLS

Submitted by: Québec Holstein Branch

"Whereas all first female calves must be classified; and

Whereas the choice of a sire (bull) has a great impact on progeny;

Therefore be it resolved that Holstein Canada demand that all bulls which enter an artificial insemination unit must be classified in order for breeders to receive better information regarding the sire (bull)."

ACTION: Discussion at Holstein Canada Board level concluded we cannot mandate the classification of all sires entering AI.

3. SUMMER HEIFER CALF CLASS

Submitted by: Québec Holstein Branch

"Whereas the number of animals in shows is often down; and

Whereas the Female Senior Yearling class will probably be discontinued; and

Whereas there already is a Heifer Calf Class at the Québec International Holstein Show; and

Whereas there is additional potential and possibilities for marketing;

Therefore be it resolved that Holstein Canada makes the necessary recommendations to the Royal (RAWF) in order to add the Summer Heifer Class."

ACTION: The Holstein Canada Show Committee, comprised of members from across Canada, reviewed this topic at their December 2012 meeting recommended to the Board of Directors this class not be implemented at the RAWF at this time.

4. ANIMAL INQUIRY SITE

Submitted by: Prince Edward Island Holstein Branch

"Whereas Holstein Canada has an excellent Animal Inquiry option on their website; and

Whereas Holstein Canada has a very good system for identifying females with high classifications; and

Whereas many breeders sell pregnant females to other herds across the country, heifer calves are born and it is very difficult for the breeder to keep track of them;

Therefore be it resolved that Holstein Canada add to its animal inquiry site an option where you could obtain a list of animals carrying a Breeder's prefix with the option of sorting by year of birth."

ACTION: Holstein Canada is currently involved in a major redevelopment of its data structure in support of all our services, the first one being a multi-breed Herdbook for the end of 2014. The above issue will be resolved in this process.

5. NATIONAL DIRECTOR REPRESENTATION

Submitted by: Québec Holstein Branch

"Whereas Québec breeders represent almost half of Holstein Canada's membership and sales figures; and

Whereas the elimination of a seat as National Director representing Québec occurred in view of the amalgamation with Canadian Dairy Network (CDN);

Therefore be it resolved that Holstein Canada review the composition of its Board of Directors in order to ensure fair and proportional representation for Québec members."

ACTION: In response to this Resolution Holstein Canada is proposing at current AGM bylaw change 9.2

6. HOLSTEIN CANADA EMPLOYEE RECRUITMENT POLICY

Submitted by: Manitoba Holstein Branch

"Whereas it is desirable to recruit the best available employees and that it is vital that the membership be assured this is the policy of the Holstein Association of Canada;

Therefore be it resolved that all vacancies be advertised across Canada and the Board recruitment policy be available for scrutiny and accountability."

ACTION: All major postings are now circulated by email to all Branches.



2012 CENTURY OF HOLSTEINS AWARD



CENTURY OF HOLSTEINS

FOR AT LEAST 100 YEARS OF CONTINUOUS HOLSTEIN CANADA MEMBERSHIP



Cloverlea Holsteins
Descendants of Samuel Dickie
Macdonald College of McGill University
Muir Family
Nova Scotia Agricultural College



SPECIAL RECOGNITION AWARDS

2012 CERTIFICATE OF SUPERIOR ACCOMPLISHMENT AWARD WINNER



Patty Jones

THIS AWARD IS CONSIDERED THE HIGHEST HONOUR PRESENTED BY THE HOLSTEIN ASSOCIATION OF CANADA. PATTY JONES HAS MADE EXCEPTIONAL CONTRIBUTIONS IN MARKETING AND PROMOTION OF THE HOLSTEIN BREED THROUGH LEADERSHIP AND MENTORSHIP IN LIVESTOCK PHOTOGRAPHY. SHE HAS ALSO ESTABLISHED HERSELF AS A RESPECTED AMBASSADOR OF THE CANADIAN DAIRY INDUSTRY.



Holstein JOURNAL

Holstein Canada sincerely thanks the Holstein Journal for serving the Canadian Holstein Industry for 75 years!

GENOMIC TESTING

GENO  **ID**

Parentage Discovery and Herdbook Registration

GENO  **TEST**

Genomic Testing for Registered Dairy Animals

GENOMIC TESTING	2011	2012
GenoTest LD	8,454	8,105
GenoTest 50K	1,375	1,085
GenoID	0	1,291
Total	9,829	10,481

SCHEDULE OF REVENUE AND EXPENSES

DEPARTMENT	REVENUE		EXPENSES		EXCESS / (DEFICIT)	
	2012	2011	2012	2011	2012	2011
HERDBOOK & GENOTYPING	\$5,015,082	\$5,045,237	\$2,263,456	\$2,224,289		
CLASSIFICATION	4,972,455	5,052,767	3,394,941	3,302,687		
MARKETING	294,952	289,357	1,030,007	906,282		
NLID	1,400,204	1,366,304	1,311,670	1,326,971	Total Revenue	
BOARD & EXECUTIVE	0	0	1,258,883	1,211,393	less	
ADMINISTRATION	74,412	82,235	941,475	1,150,420	Total Expenses	
BUSINESS & TECHNOLOGY SOLUTIONS	0	0	1,114,273	1,056,370	= Excess (Deficit)	
DEPRECIATION	0	0	422,832	378,013		
	\$11,757,105	\$11,835,900	\$11,737,537	\$11,556,425	\$ 19,568	\$ 279,475



FINANCIAL REPORT 2012

Rhonda Morley, Chief Financial Officer

Holstein Canada reported an Operating Fund surplus of \$19,568 for 2012. Increased activity was reported for registrations, transfers, classifications and genotyping services; however, the pricing incentives for registration services resulted in slightly lower revenues, bringing it to a total of \$11.7 million. Total operating expenses increased 1.6% during 2012. Salary and benefit expenses grew by 1.8% and the cost for airfare, travel and accommodations increased as well.

The Association's Reserve Fund consisted of a \$7.48 million portfolio that included a mix of equities and fixed income investments. 2012 was a year of transition for Holstein Canada as the Association adopted the new Canadian accounting standards for not-for-profit organizations. The most notable changes were in the Reserve Fund. Investment fees are now recorded as expenses and the unrealized gain or loss on investments resulting from the fair market value adjustments are recorded as revenues. In addition, the reported value of bonds increased over \$378,000 due to the transition to record bonds at fair market value rather than amortized cost.

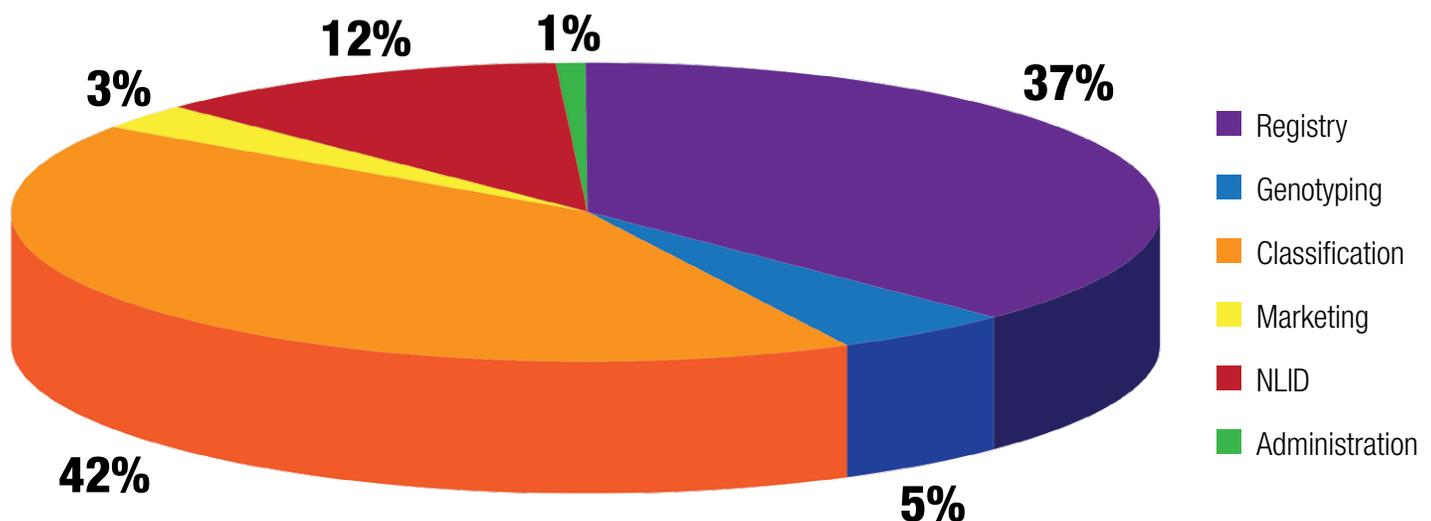
Segregating unusual, non-recurring expenses in the Development Fund allows the Association to invest in development, special projects and other extraordinary items without affecting the operational results. In 2012, the Association incurred \$282,000 in extraordinary expenses to restructure and institute change in order to transform the Association's organizational structure to meet the changing needs of today's dairy industry. Additionally, \$91,671 was used to sponsor the 2012 World Conference and to support a Branch advertising campaign.

Holstein Canada was honored to host the 2012 World Conference in November – an extremely positive event. A separate account was established to record the related transactions and it will be eliminated once the final administration of the conference is complete. The estimated financial results for the World Conference are approximately \$155,000 of excess expenses over revenues. The Board of Directors considers this amount as an investment in promoting the Canadian Holstein market.

2013 Outlook

The outlook for 2013 remains positive with an expectation of growth in activity for classification and genotyping services and steady activity for registrations. A small surplus has been budgeted for the Operating Fund. Consistent performance for the Reserve Fund investments is expected due to modest economic growth during 2013. Investing in Holstein Canada's core services and prudent management of resources will be essential to ensure financial health over the long-term. The Board of Directors and Management Team are committed to this approach. The Association's strong financial position should continue to provide a solid foundation to serve the members and customers in the future.

2012 SOURCES OF REVENUE



STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

Year ended December 31, 2012

	OPERATING FUND	RESERVE FUND	DEVELOPMENT FUND	CONFERENCE FUND	TOTAL 2012	TOTAL 2011
REVENUES						
Income from Operations	\$11,713,352				\$11,713,352	\$11,799,349
Investment Income (Note 10)	43,753	\$302,431	\$28		346,212	333,684
Unrealized Gain on Investments		47,105			47,105	107,473
Other Income				\$502,314	502,314	27,038
	11,757,105	349,536	28	502,314	12,608,983	12,267,544
EXPENSES						
Excess (Deficiencies) of Revenue Over Expenses	19,568	319,871	(292,943)	(334,337)	(287,841)	638,472
Transfer from Reserve to Development		(26,188)	26,188		0	0
Transfer from Development to Conference			(80,600)	80,600	0	0
Transfer from General to Conference	(300,000)			300,000	0	0
Fund Balances, Beginning	6,168,737	7,189,779	473,813	30,274	13,862,603	13,224,131
Fund Balances, Ending	\$5,888,305	\$7,483,462	\$126,458	\$76,537	\$13,574,762	\$13,862,603

STATEMENT OF FINANCIAL POSITION

As at December 31, 2012

	OPERATING FUND	RESERVE FUND	DEVELOPMENT FUND	CONFERENCE FUND	TOTAL 2012	Dec. 31, 2011 See Schedule #1	Jan. 01, 2011 See Schedule #2
CURRENT ASSETS							
Cash and Bank (Note 3)	\$482,979	\$256,327	\$108,157	\$76,537	\$924,000	\$1,394,653	1,659,217
Temporary Investments (Note 4)	1,864,087	351,854	300,160		2,516,101	2,255,247	1,731,556
Accounts Receivable (Note 5)	1,235,769				1,235,769	1,247,527	1,323,785
Other Receivables	356,605				356,605	77,179	73,773
Inventory	26,333				26,333	19,080	29,618
Prepays	148,001				148,001	115,175	139,237
	4,113,774	608,181	408,317	76,537	5,206,809	5,108,861	4,957,186
INVESTMENTS							
Reserve Fund (Note 6)		6,875,281			6,875,281	6,637,671	6,301,924
CAPITAL ASSETS (Note 7)	3,146,156				3,146,156	3,066,316	3,085,270
	\$7,259,930	\$7,483,462	\$408,317	\$76,537	\$15,228,246	\$14,812,848	\$14,344,380
CURRENT LIABILITIES							
Accounts Payable & Accrued Liabilities (Note 8)	\$1,371,625		\$281,859		\$1,653,484	\$950,245	\$1,120,249
FUND BALANCES							
Unrestricted	5,888,305				5,888,305	6,168,737	5,889,058
Restricted		7,483,462	126,458	76,537	7,686,457	7,693,866	7,335,073
	5,888,305	7,483,462	126,458	76,537	13,574,762	13,862,603	13,224,131
	\$7,259,930	\$7,483,462	\$408,317	\$76,537	\$15,228,246	\$14,812,848	\$14,344,380

STATEMENT OF CASH FLOWS

Year ended December 31, 2012

	2012					2011				
	Operating Fund	Reserve Fund	Development Fund	Conference Fund	TOTAL	Operating Fund	Reserve Fund	Development Fund	Conference Fund	TOTAL
CASH FROM OPERATING ACTIVITIES										
Excess (deficiency) of revenue over expenses	\$19,568	\$319,871	\$(292,943)	\$(334,337)	\$(287,841)	\$279,472	\$373,212	\$(1,187)	\$(13,025)	\$638,472
Items not affecting cash										
Accrued Interest	(41,581)	(1,854)	(160)		(43,595)	(33,522)		(132)		(33,654)
Amortization of capital assets	422,832				422,832	378,013				378,013
(Gain) / Loss on disposal of capital assets	9,419				9,419	12,083				12,083
(Gain) / Loss on sale of investments		6,900	132		7,032		16,268	127		16,395
Unrealized (Gain) / Loss on FMV		(47,105)			(47,105)		(107,473)			(107,473)
	410,238	277,812	(292,971)	(334,337)	60,742	636,046	282,007	(1,192)	(13,025)	903,836
(Changes) in non-cash working capital	113,631		281,859		395,490	(62,345)		(207)		(62,552)
Net cash provided by (used in) operating activities	523,869	277,812	(11,112)	(334,337)	456,232	573,701	282,007	(1,399)	(13,025)	841,284
INVESTING ACTIVITIES										
Additions to capital assets	(534,191)				(534,191)	(414,142)				(414,142)
Proceeds on disposal of capital assets	22,100				22,100	43,000				43,000
Proceeds on sale of investments	1,073,778	679,549	300,000		2,053,327	1,373,067	859,650	300,000		2,532,717
Investment purchases	(1,041,500)	(1,126,621)	(300,000)		(2,468,121)	(1,941,500)	(1,025,923)	(300,000)		(3,267,423)
Interfund transfers	(300,000)	(26,188)	(54,412)	380,600	0		(36,847)	11,847	25,000	0
Net cash used in investing activities	(779,813)	(473,260)	(54,412)	380,600	(926,885)	(939,575)	(203,120)	11,847	25,000	(1,105,848)
INCREASE/(DECREASE) IN CASH	(255,944)	(195,448)	(65,524)	46,263	(470,653)	(365,874)	78,887	10,448	11,975	(264,564)
CASH AND BANK, BEGINNING OF YEAR	738,923	451,775	173,681	30,274	1,394,653	1,104,797	372,888	163,233	18,299	1,659,217
CASH AND BANK, END OF YEAR	\$482,979	\$256,327	\$108,157	\$76,537	\$924,000	\$738,923	\$451,775	\$173,681	\$30,274	\$1,394,653

STATEMENT OF FINANCIAL POSITION - SCHEDULE #1

as at December 31, 2011

	OPERATING FUND	RESERVE FUND	DEVELOPMENT FUND	CONFERENCE FUND	TOTAL
CURRENT ASSETS					
Cash and Bank (Note 3)	\$738,923	\$451,775	\$173,681	\$30,274	\$1,394,653
Temporary Investments (Note 4)	1,854,782	100,333	300,132		2,255,247
Accounts Receivable (Note 5)	1,247,527				1,247,527
Other Receivables	77,179				77,179
Inventory	19,080				19,080
Prepays	115,175				115,175
	4,052,666	552,108	473,813	30,274	5,108,861
INVESTMENTS					
Reserve Fund (Note 6)		6,637,671			6,637,671
CAPITAL ASSETS (Note 7)	3,066,316				3,066,316
	\$7,118,982	\$7,189,779	\$473,813	\$30,274	\$14,812,848
CURRENT LIABILITIES					
Accounts Payable & Accrued Liabilities (Note 8)	\$950,245				\$950,245
FUND BALANCES					
Unrestricted	6,168,737				6,168,737
Restricted		7,189,779	473,813	30,274	7,693,866
	6,168,737	7,189,779	473,813	30,274	13,862,603
	\$7,118,982	\$7,189,779	\$473,813	\$30,274	\$14,812,848

STATEMENT OF FINANCIAL POSITION - SCHEDULE #2

as at January 1, 2011

	OPERATING FUND	RESERVE FUND	DEVELOPMENT FUND	CONFERENCE FUND	TOTAL
CURRENT ASSETS					
Cash and Bank	\$1,104,797	\$372,888	\$163,233	\$18,299	\$1,659,217
Temporary Investments	1,252,827	178,602	300,127		1,731,556
Accounts Receivable	1,323,785				1,323,785
Other Receivables	73,773				73,773
Inventory	29,618				29,618
Prepays	139,237				139,237
	3,924,037	551,490	463,360	18,299	4,957,186
INVESTMENTS					
Reserve Fund		6,301,924			6,301,924
CAPITAL ASSETS	3,085,270				3,085,270
	\$7,009,307	\$6,853,414	\$463,360	\$18,299	\$14,344,380
CURRENT LIABILITIES					
Accounts Payable & Accrued Liabilities	\$1,120,249				\$1,120,249
FUND BALANCES					
Unrestricted	5,889,058				5,889,058
Restricted		6,853,414	463,360	18,299	7,335,073
	5,889,058	6,853,414	463,360	18,299	13,224,131
	\$7,009,307	\$6,853,414	\$463,360	\$18,299	\$14,344,380

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Basis of Accounting

The non-consolidated financial statements of the Holstein Association of Canada have been prepared using Canadian accounting standards for not-for-profit organizations.

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, business restructuring and 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.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amounts to be received can be reasonably estimated and collection is reasonably assured. Unrestricted investment income is recognized as revenue when earned.

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.

Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and 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.

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. Approximately \$72,081 (2011 - \$84,012) was unpaid amounts at year end and 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.

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, 2012 year end.

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equities traded in an active market and derivatives are reported at fair value, with any unrealized gains and losses reported in operations. In addition, all bonds, managed funds and guaranteed investment certificates have been designated to be in the fair value category, with gains and losses reported in operations. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

2. FIRST-TIME ADOPTION

Effective January 1, 2012, the organization adopted the requirements of the new accounting framework, Canadian accounting standards for not-for-profit organizations (ASNPO) or Part III of the requirements of the Canadian Institute of Chartered Accountants (CICA) Handbook – Accounting. These are the organization's first financial statements prepared in accordance with this framework and the transitional provisions of Section 1501, First-time Adoption have been applied. Section 1501 requires retrospective application of the accounting standards with certain elective exemptions and mandatory exceptions. The accounting policies set out in Note 1 have been applied in preparing the financial statements for the year ended December 31, 2012, the comparative information presented in these financial statements for the year ended December 31, 2011 and in the preparation of an opening ASNPO statement of financial position at the date of transition of January 1, 2011.

The organization issued financial statements for the year ended December 31, 2011 using Canadian generally accepted accounting principles prescribed by the CICA Handbook – Accounting Part V - Pre-changeover Accounting Standards. The adoption of ASNPO resulted in adjustments to the previously reported assets, liabilities, equity, excess of revenue over expenses and cash flows of the organization. The changes to net assets at the date of transition of January 1, 2011 were as follows:

	January 1, 2011
Opening net assets, Pre-changeover Accounting Standards	\$ 12,964,657
Decrease in Investments due to the reclassification of transaction costs	(34,000)
Increase in investments due to restatement of bonds from amortized cost to fair market value	293,474
Opening net assets, ASNPO	<u>\$13,224,131</u>

A reconciliation of the excess of revenue over expenses reported in the organization's most recent previously issued financial statements to its excess of revenue over expenses under ASNPO for the same period is as follows:

	2011
Excess of revenue over expenses, Pre-changeover Accounting Standards	\$538,010
Unrealized loss on investments previously recorded directly in net assets	(58,834)
Decrease in Investments due to change in accounting policy for the treatment of transaction costs	(31,392)
Unrealized gain on bonds due to fair market value adjustment	166,305
Increase in investment income due to change in accounting policy	24,383
Excess of revenue over expenses, ASNPO	<u>\$ 638,472</u>

The following exemptions were used at the date of transition to Canadian accounting standards for not-for-profit organizations:

Business Combinations

The enterprise elected not to apply BUSINESS COMBINATIONS, Section 1582 – Business combinations retrospectively to past business combinations prior to the date of transition.

Related Party Transactions

The enterprise elected not to restate assets or liabilities related to transactions with related parties when the related party transaction occurred prior to the date of transition to accounting standards for not-for-profit organizations.

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. The organization has established an operating line of credit of up to \$500,000 bearing interest and the bank's prime rate plus 0.3% per annum and secured by a general security agreement with a first ranking security in all personal property of the borrower. This facility was unused at year end. Subsequent to year end, the facility was increased to \$1,000,000 with the same terms.

4. TEMPORARY INVESTMENTS

	2012	2011
GIC's, due between May 7, 2013 and December 21, 2014, with interest rates between 1.50% and 4.45%	\$1,404,900	\$1,448,022
Ontario savings bond, due June 21, 2014, variable interest	305,552	303,937
Ontario savings bond, due June 21, 2016, variable interest	503,966	503,288
Ontario savings bond, due June 20, 2017, variable interest	301,683	-
	<u>\$2,516,101</u>	<u>\$2,255,247</u>

5. ACCOUNTS AND CONTRIBUTIONS RECEIVABLE

Accounts and contribution receivable are net of an impairment of \$10,000 (2011 - \$30,000). 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

	2012	2011
<u>Fixed Income:</u>		
Bonds and debentures		
Government of Canada	\$216,560	\$223,355
Canadian provincial and public authorities	3,083,108	2,809,875
Canadian corporate	1,824,822	2,147,645
	5,124,490	5,180,875
<u>Equities:</u>		
Preferred Shares	599,655	385,743
Common Shares	589,475	553,835
Mutual Funds	561,661	517,218
	\$6,875,281	\$6,637,671

Bonds and Debentures

The Government of Canada bonds have a cost of \$203,860 (2011 - \$203,860), a fair value of \$216,560 (2011 - \$223,355) and an interest rate of 4.50% (2011 - 4.50%). This investment will mature within 2-5 years.

The Canadian provincial and public authorities bonds have a cost of \$2,833,281 (2011 - \$2,533,231), a fair value of \$3,083,108 (2011 - \$2,809,875) and interest rates of 2.90%-6.00% (2011 - 3.50%-6.00%). These investments will mature as follows: \$1,453,276 within 2 to 5 years and \$1,629,832 after 5 years.

The Canadian corporate bonds have a cost of \$1,724,797 (2011 - \$2,029,638), a fair value of \$1,824,822 (2011 - \$2,147,644) and interest rates of 4.10%-8.30% (2011 - 4.10%-8.30%). These investments will mature as follows: \$413,221 within 1 year, \$981,994 within 2 to 5 years and \$429,607 after 5 years.

Preferred Shares

The preferred shares have a cost of \$563,180 (2011 - \$363,264) and a fair value of \$599,655 (2011 - \$385,743). The preferred dividend yields range from 4.75%-6.00% (2011 - 4.75%-6.00%).

Common Shares

The equities consist of common shares with a cost of \$588,118 (2011 - \$602,530) and a fair value of \$589,475 (2011 - \$553,835). The shares have no fixed maturity dates and are generally not exposed to interest rate risk. Dividends are generally declared on an annual basis.

Mutual Funds

These equity pools have a cost of \$555,477 (2011 - \$552,255) and a quoted market value of \$561,661 (2011 - \$517,218).

7. CAPITAL ASSETS

ASSET	2012			2011		
	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	\$ 1,103,184	1,904,941	3,008,125	\$1,002,884	2,005,241
Building Improvements	85,221	8,522	76,699			
Fafard Sculpture	177,525		177,525	177,525		177,525
Office furniture and equipment	1,347,131	1,253,667	93,464	1,282,625	1,257,872	24,753
Automobiles	846,805	418,808	427,997	811,599	382,075	429,524
Data processing	4,251,659	4,114,980	136,679	4,265,316	4,164,894	100,422
TOTALS:	\$10,045,317	\$6,899,162	\$3,146,156	\$9,874,041	\$6,807,725	\$3,066,316

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable is \$Nil (2011 - \$29,834) in government remittances payable.

9. 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 \$177,698 (2011 - \$189,267).

10. INVESTMENT INCOME

The operating fund investment income is comprised of interest income from a bank account in the amount of \$2,170 and interest income in the amount of \$41,583 on temporary investments.

The reserve fund investment income is comprised of interest income in the amount of \$299,194 and \$3,237 gain on sale of investments.

The development fund investment income is comprised of interest income in the amount of \$28 on temporary investments.

The total amount of unrealized gain (net) to adjust the reserve fund investments to fair market value at year end is \$47,105 and has been included in the reserve fund statement of operations and changes in fund balances.

11. 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, 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. 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.

12. CASH FLOW SUPPLEMENTARY INFORMATION

Changes in Working Capital:	2012	2011
Accounts Receivable	\$11,757	\$76,258
Other Receivables	(279,427)	(3,406)
Inventory	(7,253)	10,538
Prepaid	(32,826)	24,062
Accounts Payable	703,239	(170,004)
Net Change	\$395,490	\$(62,552)



2012 WORLD HOLSTEIN CONFERENCE

MONTREAL, OTTAWA, TORONTO, NIAGARA FALLS



