

Annual Report



BC Dairy Association
2020 - 2021 Annual report

Contents

Message from the
General Manager 2

Message from
the Chair 4

Economic
Impact Study 6

BC Dairy year
in review: Charting
a new course 8

Independent
Auditors' Report 17

Financial
Statements 20





Charting a
new course
for our future.



“

Message from the General Manager.

This report and AGM mark the start of my third year with BC Dairy. My top priority for the next year will be working with our Board of Directors to complete BC Dairy's new three-year plan. This plan is not just a document on a shelf, but will be our map during a transition underway at the Association to ensure we are best supporting the growth of the BC dairy industry while adapting to a changing world. Our strategic plan will reflect the results of an intensive process taking an honest look at where the industry is now and where it needs to go, and will determine how we invest time and resources to best meet the needs of BC's dairy farmers.

We already have a draft underway, which builds on work we started pre-COVID, and the changes we've made during the global pandemic. Our strategic plan speaks to supporting market growth for local dairy products as British Columbians' tastes continue to evolve, to advocating with government for policies that support successful dairy businesses, and to providing the support producers need to meet the challenges of today and tomorrow.

There are plenty of current challenges affecting our industry. Like many organizations, BC Dairy is holding its AGM (and the BC Dairy Industry Conference) in a hybrid manner due to COVID-19. As challenging as the pandemic is, however, it is far from the only issue impacting dairy farms. Federal trade talks, increasing input costs, climate change-induced drought, heat waves and forest fires, as well as changing consumer eating preferences—all pose challenges at the farm level, but also to our industry.

I am confident we are in a position to meet and overcome those challenges. Dairy producers universally work hard every day to provide nutritious milk and dairy products for British Columbians. Walking down the aisle of any grocery store, your products grace the shelves and fill many carts. They also fill many food bank and school program coolers, as you play a key role in ensuring all British Columbians are nourished, regardless of their situation. I am proud to support you in that work, and committed to doing our part at BC Dairy to support it.

Looking forward, we are developing and implementing programs to support market growth for dairy, innovation in farming practices and processing, reducing dairy's carbon footprint as we do our part to fight climate change, and expanding our capacity to ensure dairy remains a critical part of BC's local food security. We are working with our colleagues at the Dairy Farmers of Canada to ensure no future concessions are made in international trade agreements, and that producers are fairly compensated for impacts of CUSMA.

Like many Canadians, our BC Dairy staff members have been working remotely this year. I am proud of the work they have done during this unusual time to ensure dairy products stay relevant and top of mind for consumers and to serve BC dairy farmers.

On a personal note, my family and I are proud to be a part of the BC dairy sector. My children enjoy milk and yogurt every day. I would like to thank you, our producers, for providing them with key components of their daily nutrition, and for your continued leadership in our community.



A handwritten signature in black ink, appearing to read 'Jeremy Dunn'. The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Jeremy Dunn | General Manager



Message from the Chair.

Like many dairy farmers I have much to be grateful for in this challenging year. I have been able to keep working in the midst of a pandemic when many of our neighbours have not. I continue to farm, harvesting crops and caring for our animals with my family. We continue to take satisfaction and pride in providing for our community.

There is no question this has not been an easy year for BC dairy farmers. COVID-19 limited our ability to gather together and has interrupted our markets. We are adjusting to trade deals and increasing imports. We have farmed through a summer of drought and, in some areas of the province, wildfires. Despite the challenges at hand, we have risen to the occasion. I want to thank farmers for their perseverance, continued commitment to producing food for our neighbours, and engagement over Zoom during this past year.

With all of this in mind, it is more important than ever before that producers receive good value out of their investment in BC Dairy. Our board has a responsibility to remember association membership is an expense for producers, and that BC producers are our only customer.

We must stay focused on ensuring BC Dairy programs are both effective and relevant. We have to be willing to take a hard look at what we do, and recognize that programs and approaches that were relevant a decade ago may not be relevant today and adapt accordingly.

I am confident we have the right team in place for that task, with capable staff under the leadership of our General Manager, Jeremy Dunn. With Jeremy's guidance since he joined us two years ago, we are focused on critical areas including maintaining and growing our market share, helping the industry adapt to climate change, and working with partners like our regional dairy associations, the BC Agriculture Council and DFC on provincial and national dairy advocacy efforts.

As an organization, we must do the important tasks well and avoid taking on too much and end up doing them poorly. Recognizing BC Dairy is accountable to all producers, we have to make tough decisions about what not to do, and to be patient as we evolve to meet the new demands of today and tomorrow. Change takes some time, but our transition is well underway.

I encourage BC's dairy farmers to read this annual report to get more insight about this work and BC Dairy's evolving focus. The annual report itself is a microcosm of our new approach – we are adopting a new format that is more concise and includes a new format for our financials, as part of an effort to improve transparent communication with producers.

I also encourage all of us to be aware of how the world is shifting around us and adapt on a personal and farm level. Recognize climate change and do our part to take care of the land while feeding people. Recognize we are part of a larger community and ecosystem, and that consumer expectations of animal care and land stewardship are evolving. If we are to continue holding our place in society, our neighbours must be satisfied we are farming well and taking good care of our animals.

We must also recognize that consumer eating patterns are changing, and be ready to adapt to that while we bolster our fluid milk market through marketing efforts.

Holger Schwichtenberg has been the Chair of BC Dairy since 2018. He and his family milk 160 cows at their 220-acre farm in Agassiz.

We cannot rely on government regulation alone—all dairy farmers must do their part to make sure BC milk is truly the best product on store shelves. We need to compete on the world stage for nutrient value, taste, quality, and animal care. We face a lot of competition today from both imported products and milk alternatives, which is only going to intensify. We must all take an honest look at our standards and make sure we are maintaining top standards in dairy production and environmental stewardship.

I am privileged to be Chair of this vibrant and important Association, and invite all members to get in touch with me or any member of the board if you have any questions or input into our approach. I hope to have conversations with even more producers this coming year as we continue to evolve and adapt as an industry.



Holger Schwichtenberg | Chair



Economic Impact Study.

Trends in dairy production, farms, and financials.

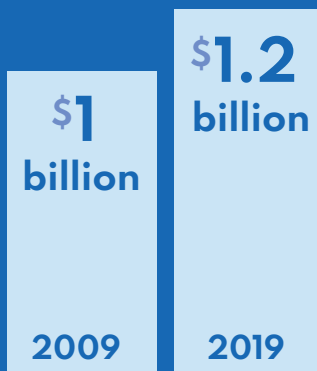
In order to better understand the direction BC's dairy industry is heading and inform the development of programs, BC Dairy conducted an updated economic impact study. MNP Economics and Research conducted a study in 2020, looking at 2019 figures and in many cases comparing the data to that in a report done a decade earlier.

The report uncovered some significant results:

- Dairy remains BC's most valuable land-based agricultural product.
- Dairy supports more jobs and produces more milk than it did a decade ago.
- Dairy contributes more to BC's GDP than it did a decade ago.
- The total number of farms decreased; however, the total number of cows increased.
- There were more on-farm dairy processing operations in 2019 than a decade prior.

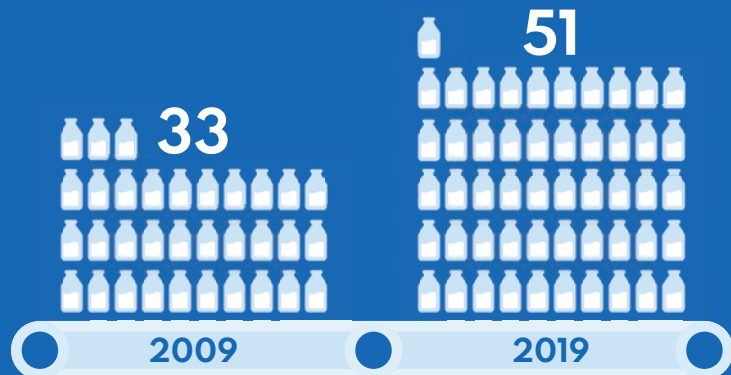
By the numbers:

DAIRY'S ECONOMIC IMPACT



Dairy's economic impact grew 20% in the decade – contributing \$1.225 billion to GDP from just over \$1 billion.

COMPANIES PROCESSING RAW MILK INTO CONSUMER PRODUCTS



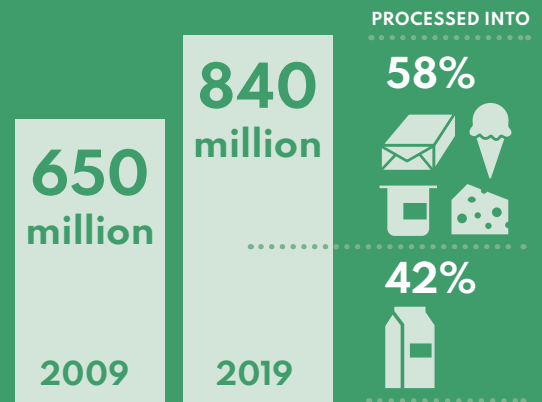
In the last decade the number of companies processing raw milk into consumer products has grown to 51 from 33. Numerous operations launched to craft local cheese, milk, and other dairy products in a number of BC communities.

TOTAL NUMBER OF COWS ON ALL BC FARMS



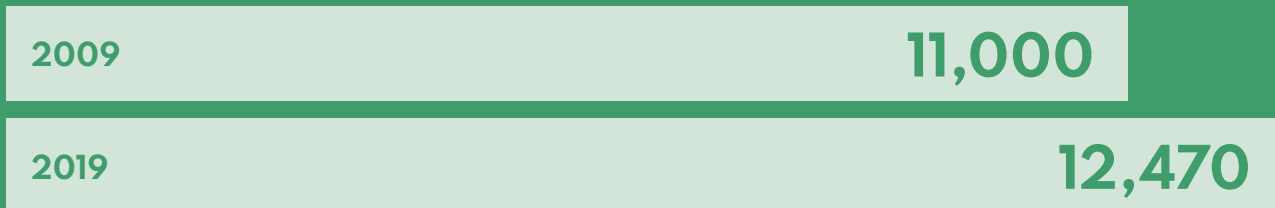
While the number of dairy farms in BC has declined about 9% in the last decade, **the total number of cows on all BC dairy farms has increased to 82,500 from 72,000 in 2009.**

TOTAL AMOUNT OF LITRES OF RAW MILK PRODUCED IN BC



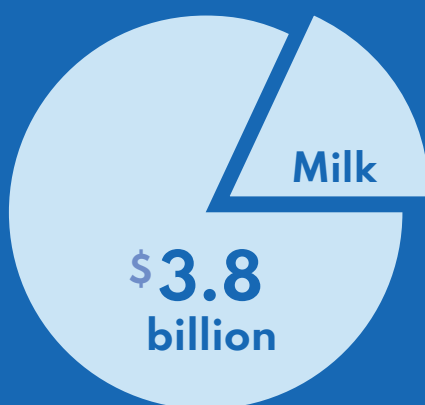
In 2019, 469 farms across the province produced more than 840 million litres of raw milk (up from more than 650 million litres in 2009) worth more than \$683 million.

JOBS SUPPORTED BY DAIRY



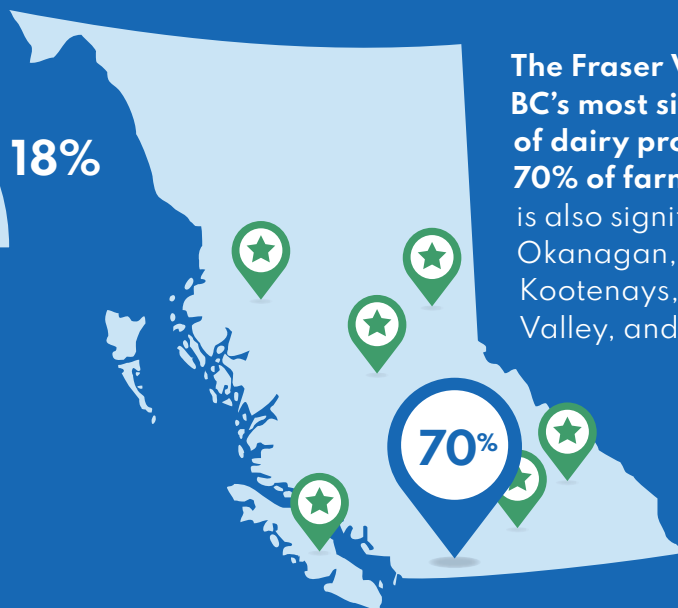
Dairy supported 12,470 jobs in 2019, up from 11,000 in 2009.

2019 BC'S TOTAL FARM CASH RECEIPTS



Milk accounted for 18% of BC's total farm cash receipts of \$3.8 billion.

2019 – DAIRY FARMS IN BC



The Fraser Valley remains BC's most significant centre of dairy production with 70% of farms. The industry is also significant in the Okanagan, Vancouver Island, Kootenays, Cariboo, Bulkley Valley, and Peace River.

BC Dairy year in review: Charting a new course.

2020-21 was an uncertain and challenging year in BC – pandemic, drought, and fires required numerous organizations, businesses, and individual British Columbians to be adaptable and commit resources. BC Dairy was no different. The organization has worked to remain flexible and meet the needs of dairy producers and the marketplace through these challenging times.

In spite of these challenges, we have also been focused on the future. Our marketplace is changing as consumer interests evolve. If our industry is to continue to thrive, we must stay ahead of these changes. Approaches that were effective in the past may not be relevant to our future.

To that end, BC Dairy has set out to reset our organization, to rebuild ourselves into an association that can support dairy producers' business needs into the future as part of a strong national dairy system in Canada.

In this section, we review the top priorities BC Dairy has set out to guide our evolution, as well as our notable outcomes.

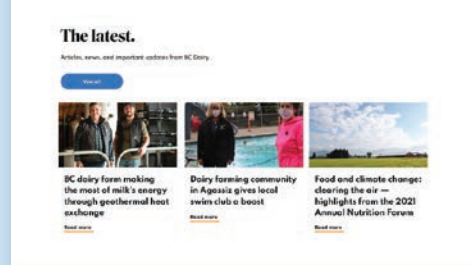
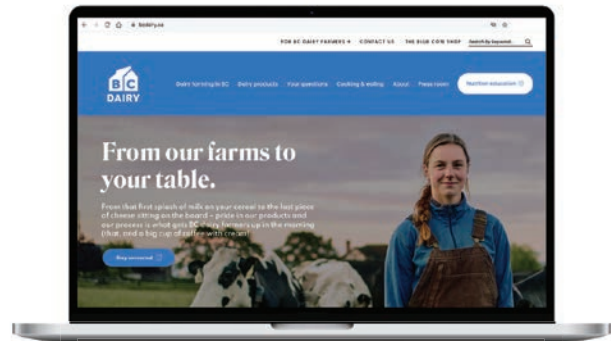


BC Dairy operational reorganization – a focus on capacity, efficiency, and effectiveness.

The BC Dairy Board of Directors has outlined a strong agenda for BC Dairy to ensure the organization is focused on meeting the needs of the province’s 470 dairy producers – BC Dairy’s only customers. We have made significant progress on critical building blocks that will allow the Association to be more efficient, more effective, and have the systems needed to bring dairy producers together to both take advantage of opportunities and meet challenges.

Outcomes:

- To better reflect our organization, we developed a fresh and modern new logo and brand for BC Dairy now featured on our marketing campaigns, our new website, and on social media.
- We redeveloped BC Dairy’s website to be more flexible, offer farmers and stakeholders more, be more cost efficient, and to more prominently feature dairy farmers and products. We have introduced a new section for BC dairy producers with information about proAction, our dairy research initiatives, and the BC Dairy Industry Conference. The revised site also features resources for our specialized audiences like educators and health professionals.
- BC Dairy staff and board participated in equity, diversity and inclusion (EDI) training. Integration of EDI supports our strategy to ensure that BC Dairy provides board members and staff with the right expertise and training to deliver for our customers. Work in this area aims to further support the alignment of values between dairy producers and the general population.



Building positive sentiment for dairy farmers and products.

Our marketing and communication efforts worked to build on the existing positive sentiment about dairy farmers and the food they produce. Through refreshed marketing campaigns, strategic partnerships and proactive communication, the reputation of BC dairy farmers remained strong and continued to build.



Outcomes:

- We launched our Wake up to the Best campaign. The purpose of the campaign was to drive positive sentiment for dairy farmers, dairy products and, as a result, drive sales at BC restaurants, as well as donations to the Breakfast Club of Canada. For every featured menu item served during the month of December 2020, BC dairy farmers donated a breakfast through Breakfast Club of Canada.
- Polling after the campaign found 62.5 % of respondents recalled the campaign, and of those, 80% felt significantly more positive about BC dairy farmers. Over the period of the campaign 16,930 featured meals were sold, resulting in \$50,790 donated to the Breakfast Club of Canada.
- One of our objectives is to support market growth by increasing BC Dairy brand recognition in the broader community. Social media is one key way we do that. In the year, we crossed the 1 million engagement threshold – up 400 per cent from the previous year. We grew our total social media audience by 32 per cent, and achieved 49.5 million impressions across all channels, an increase of more than 59 per cent.
- BC Dairy nutrition educators reached 1,157 teachers, coaches, health professionals, and university students in relevant areas of study through 68 virtual workshops. More than 80% of the teachers engaged have expressed a positive sentiment about dairy products.

Continued ►

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- We launched a new program to tell the many stories of BC dairy farmers and how they contribute to their communities through media coverage, sponsored articles, online video content, new ad campaigns, and partnerships with EcoDairy and Whitespot.
- 175 health professionals, government officials, and dairy producers participated in the 20th Annual Nutrition Forum, focused on sustainability of food choices, dietary recommendations and how dairy farming can tackle the challenges of methane emissions.
- BC Dairy and partners launched a new pilot program with both New Westminster and Abbotsford School Districts in which dairy products were included in district-wide school lunch programs, ensuring children from low-income families received nutritious mid-day meals. Dairy consumption within the programs increased by 15% in New Westminister and 30% in Abbotsford.

Drive incremental volume growth for dairy products produced in Western Canada.

Building relationships with processors is a top priority for BC Dairy. This year we partnered with dairy processors on retail promotions that supported volume growth of locally processed milk and dairy products. Results from the 10 retail promotions that were executed this year demonstrate that this is an area of increased growth and focus for market growth.

Outcomes:

- A retail promotion on Lucerne milk in the fall of 2020 resulted in sales three times those in other western provinces. These results provided the foundation to increase our overall impact and run a second promotion which included Alberta and Saskatchewan.

Chance to win
\$10,000
in groceries with each carton
of a2 Milk™ purchased!
Enter at a2milk.ca/grocerygiveaway

- BC Dairy ran an A2 milk promotion in partnership with Agrifoods, Alberta Milk and SaskMilk which created a 44% lift during the program and established a new overall baseline for the product.



Taking a leadership role in advancing processing capacity.

BC Dairy has been building a fund to advance processing initiatives for the past three years. This is enabling the Association, through the Dairy Industry Development Council, to partner with Alberta, Saskatchewan, and Manitoba to build Dairy Innovation West – a critical Western Milk Pool Initiative. BC Dairy is also working to understand, from processors, how dairy producers can play an active role in increasing capacity in Western Canada.

Outcomes:

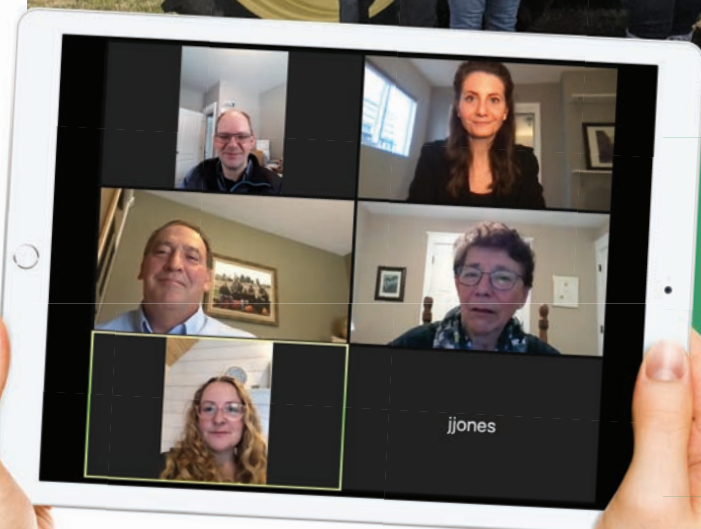
- BC Dairy hosted our inaugural BC Dairy Strategic Business Forum in December 2020, bringing together 48 industry leaders from across BC to discuss the changing economic landscape for dairy in BC and in Canada. Participants in the forum heard important perspectives from the BC Milk Marketing Board, Dairy Farmers of Canada and Western Dairy Council, and shared their ideas for what can move BC and Canada forward and allow dairy businesses to succeed in a changing economic landscape.
- We participated through the Dairy Industry Development Council in the planning of Dairy Innovation West. DIW is a first-of-its-kind in Canada project that will become an integral part of the milk transportation network in Western Canada.
- We initiated the Innovation Dairy BC Project to better understand the opportunities and challenges for dairy processing expansion and investment in innovative technologies in BC. A final report was produced with six recommendations to be considered by the industry.

Building BC Dairy's capacity to address industry issues with all levels of government.

Strengthening our capacity to build and maintain relationships with all levels of government to ensure we have a voice for farmers in decision-making is a priority. Over the past year we have taken several steps on this front.

Outcomes:

- BC Dairy hired a Government Affairs Specialist to increase organizational capacity.
- BC Dairy connected all MLAs elected to represent ridings with dairy farms, providing information about our industry and inviting them to visit a local dairy farm. So far, we've met with or conducted tours for 34 of 35 BC MLAs located in dairy ridings.
- BC Dairy worked closely with DFC to support the federal CETA and CPTPP compensation package for supply managed agricultural sectors, including dairy.



(Above) Fraser Valley MLA's Pam Alexis, Kelli Paddon, Megan Dykeman and Andrew Mercier visited West River Farms for a tour about dairy farming and food security.

(Left) Dairy Farmers of Canada's Lobby Week looked different this year as meetings were held virtually due to COVID-19 restrictions. Senator Bev Busson was able to meet with producers in her region for updates on issues affecting Canadian dairy farmers.



Focus on improving efficiency of proAction administration and communications.

We are shifting from an exclusive focus on developing and implementing proAction program requirements to a broader focus on helping producers meet those requirements.

Outcomes:

- BC Dairy initiated a proAction Advisory Committee with regional representation to provide producer feedback to improve program administration.
- We created proAction binders for producers with all the information they need about requirements in the six pillars, especially the new Environment pillar and recent updates to Animal Care and Traceability.
- We produced three proAction training sessions over Zoom, which 156 producers attended. We also created video tutorials about the new Environment pillar and updates to Animal Care and Traceability, ensuring that information is readily available to farmers.

A focus on communication with producers.

Develop and execute a producer engagement plan to build a greater connection with BC producers to increase the awareness of BC Dairy activities and address industry challenges.

The COVID-19 pandemic eliminated, at least temporarily, many of the in-person gatherings where farmers kept up-to-date about BC Dairy activities, discussed industry challenges, and built connections. In response, BC Dairy created a producer engagement plan to share more information and news through monthly emails, to hold province-wide Zoom meetings, help regional associations host virtual meetings, and enhance the quality of our publications.



Outcomes:

- We hosted provincial and regional Zoom calls throughout the year, including special meetings to address emerging matters such as DFC's work on palm supplementation, the new animal transport regulations, and the Agricultural Environmental Management (AEM) Code of Practice.

Develop a post-COVID strategic plan for BC Dairy.

COVID-19 has impacted BC's dairy industry in many of the same ways it has many thousands of industries around the world - and the impacts continue today. The price of inputs and transportation have increased. We are all engaging in inconvenient but important safety measures. BC Dairy has been working throughout the pandemic to support producers in meeting these challenges day-to-day. We are also looking to the future, implementing strategies to ensure we are part of the recovery as restaurants and food-service industries rebuild and to support the renewed focus on local food production and food security.

Outcomes:

- BC Dairy completed a comprehensive environmental scan to identify the opportunities and threats for the dairy industry in BC, and identify the critical role that BC Dairy can play.
- We have updated our Vision and Mission to focus on building programs and initiatives that will grow the market for dairy products while supporting profitable businesses that are both environmentally and socially responsible.



Looking ahead.

BC Dairy consulted widely with dairy producers through the development of the strategic plan, which will be completed and widely communicated in March 2022. We look forward to reporting the initial results of this plan in our 2021-22 annual report!

Financial Statements.





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INDEPENDENT AUDITORS' REPORT

To the Members of British Columbia Dairy Association

Opinion

We have audited the financial statements of British Columbia Dairy Association (the "Association"), which comprise:

- the statement of financial position as at July 31, 2021
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- notes to the financial statements, including a summary of significant accounting policies and other explanatory information
- and other supporting information, including schedules A through C

(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 Association as at July 31, 2021 and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

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

We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical 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 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 Association'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 Association or to cease operations, or has no realistic alternative but to do so.

Those charged with Governance are responsible for overseeing the Association's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association'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 Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Association 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.

Report on Other Legal and Regulatory Requirements

As required by the Societies Act (British Columbia), we report that, in our opinion, with the exception of the change in revenue recognition accounting policy (note 1(a)), the accounting policies applied in preparing and presenting the financial statements in accordance with Canadian accounting standards for non-for-profit organizations have been applied on a basis consistent with that of the preceding year.



Chartered Professional Accountants

Chilliwack, Canada

October 20, 2021

British Columbia Dairy Association

Statement of Financial Position

July 31, 2021, with comparative information for 2020


	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,228,089	\$ 2,263,572
Contributions and accounts receivable (note 2)	1,575,824	2,438,140
Prepaid expenses	573,339	545,375
Promotion and nutrition project supplies	72,606	101,287
	<u>3,449,858</u>	<u>5,348,374</u>
Capital assets (note 3)	132,324	159,496
	<u>\$ 3,582,182</u>	<u>\$ 5,507,870</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 585,966	\$ 325,985
Deferred contributions (note 5)	24,375	35,500
	<u>610,341</u>	<u>361,485</u>
Net assets:		
Unrestricted net assets	2,563,328	423,320
Invested in capital assets	132,324	159,496
Internally restricted (note 6)	276,189	4,563,569
	<u>2,971,841</u>	<u>5,146,385</u>
Commitments (note 7)		
	<u>\$ 3,582,182</u>	<u>\$ 5,507,870</u>

See accompanying notes to financial statements.

Approved on behalf of the Association:


Member


Member

British Columbia Dairy Association

Statement of Operations

Year ended July 31, 2021, with comparative information for 2020

	2021	2020
Revenue:		
Contributions from DIDC	\$ 10,475,000	\$ 11,434,913
Recoveries and other contributions	279,249	271,477
Contributions from dairy producers	81,323	173,552
Interest	11,673	36,590
	<u>10,847,245</u>	<u>11,916,532</u>
Expenses:		
Operations (Schedule A):		
Contributions to other organizations	5,184,895	3,237,071
General overhead and labour	2,851,653	2,789,324
Projects and Initiatives (Schedule B):		
Market growth	3,884,748	4,310,463
Nutrition education	569,317	934,379
Producer services	342,363	366,357
Research and education	133,921	123,121
People and culture	54,892	-
	<u>13,021,789</u>	<u>11,760,715</u>
Excess (deficiency) of revenues over expenses	<u>\$ (2,174,544)</u>	<u>\$ 155,817</u>

See accompanying notes to financial statements.

British Columbia Dairy Association

Statement of Changes in Net Assets

Year ended July 31, 2021, with comparative information for 2020

	Unrestricted	Invested in capital assets	Internally restricted	Total 2021	Total 2020
Balance, beginning of year	\$ 423,320	\$ 159,496	\$ 4,563,569	\$ 5,146,385	\$ 4,990,568
Excess (deficiency) of revenues over expenses	(2,073,587)	(100,957)	-	(2,174,544)	155,817
Net change in invested in capital assets	(73,785)	73,785	-	-	-
Transfer of funds (note 6)	4,287,380	-	(4,287,380)	-	-
Balance, end of year	\$ 2,563,328	\$ 132,324	\$ 276,189	\$ 2,971,841	\$ 5,146,385

See accompanying notes to financial statements.

British Columbia Dairy Association

Statement of Cash Flows

Year ended July 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operations:		
Cash received for contributions and recoveries	\$ 11,670,805	\$ 10,991,803
Cash received for interest	11,673	40,283
Cash paid for labour, materials and services	(12,644,176)	(12,261,421)
	(961,698)	(1,229,335)
Investing:		
Purchase of capital assets	(73,785)	(106,238)
Decrease in cash and cash equivalents	(1,035,483)	(1,335,573)
Cash and cash equivalents, beginning of year	2,263,572	3,599,145
Cash and cash equivalents, end of year	\$ 1,228,089	\$ 2,263,572

See accompanying notes to financial statements.

British Columbia Dairy Association

Notes to Financial Statements

Year ended July 31, 2021

Purpose of the British Columbia Dairy Association:

The purpose of the British Columbia Dairy Association (the "Association") is to coordinate, plan, oversee and implement the promotion, education and public relation programs best suited to meet the needs of the dairy industry in British Columbia; act as representative and advocate for its members to the general public, to governments and their agencies, and to any other group or body that may be appropriate; serve as the forum for dairy producers to discuss issues of interest to the dairy production industry in British Columbia; develop and pursue policies and programs beneficial to the dairy production industry in British Columbia and raise funds for the foregoing purposes.

The Association is incorporated under the Societies Act (British Columbia) and is classified as a tax exempt not-for-profit organization under the Income Tax Act (Canada) and, accordingly, is not subject to income taxes. The Association is a member funded society.

1. Significant accounting policies:

The Association prepares its financial statements in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Handbook-Accounting. The Association's significant accounting policies are as follows:

(a) Change in accounting policies:

Effective August 1, 2020, the Association changed their revenue recognition policy from restricted fund accounting to the deferral method. This change was applied retrospectively and did not change the Association's assets, liabilities, revenues or expenses.

(b) Revenue recognition:

The Association follows the deferral method of accounting for contributions.

Contributions are recognized as revenue in the period in which the related expenses are incurred.

Externally restricted contributions related to expenses of future periods are deferred and recognized as revenue in the period in which the related expenses are incurred.

Other revenues are recognized when the service is provided.

(c) Allocation of expenses:

Expenses are reported based on the principal functions of the Association. Where practical, expenses are attributed to the functions directly (Schedules A and B).

Labour and other expenses shared by multiple functions (including general support expenses) are reported by object (Schedule C) and are allocated to the functions of the Association.

(d) Promotion and nutrition project supplies:

Promotion and nutrition project supplies, held for distribution at no charge or for a nominal charge, are stated at the lower of cost and current replacement cost.

When promotion and nutrition project supplies are determined to have no future service potential, the carrying amount is written down to net realizable value.

(e) Capital assets:

Purchased capital assets are recorded at cost, less accumulated amortization. Repairs and maintenance costs are charged to expense. Betterments, which extend the estimated useful life of an asset, are capitalized. Capital assets are amortized on a straight-line basis as follows:

Asset	Rate
Computer equipment	3 years
Furniture and fixtures	5 years
Vehicles	5 years
Leasehold improvements	Remaining term of the lease

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that either the full or partial amount of the asset no longer has long-term service potential to the Association. If such conditions exist, an impairment loss is measured at the amount by which either the full or partial carrying amount of the asset exceeds its residual value.

(f) Financial instruments:

The Association's financial instruments are carried at cost and consist of cash and cash equivalents, contributions and accounts receivable, accounts payable and accrued liabilities.

The carrying values of the Association's financial instruments approximate their fair value due to their negligible risk and short term to maturity.

1. Significant accounting policies (continued):

(g) Use of estimates:

The preparation of financial statements in conformity 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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

2. Contributions and accounts receivable:

	2021	2020
Receivable from Dairy Industry Development Council, a related party	\$ 1,551,323	\$ 2,379,005
Other contributions and accounts receivable	24,501	59,135
	\$ 1,575,824	\$ 2,438,140

There are no allowances for doubtful accounts.

3. Capital assets:

			2021	2020
	Cost	Accumulated amortization	Net book value	Net book value
Computer equipment	\$ 119,637	\$ 92,581	\$ 27,056	\$ 28,967
Furniture and fixtures	165,684	120,977	44,707	37,827
Vehicles	199,282	149,679	49,603	79,606
Leasehold improvements	284,861	273,903	10,958	13,096
	\$ 769,464	\$ 637,140	\$ 132,324	\$ 159,496

4. Accounts payable and accrued liabilities:

	2021	2020
Payable to suppliers for supplies and services	\$ 498,634	\$ 193,087
Accrued liabilities include amounts payable to/on behalf of employees for wages and benefits	87,332	111,046
Payable to Receiver General for GST and source deductions	-	21,852
	\$ 585,966	\$ 325,985

5. Deferred contributions:

Deferred contributions represent unspent resources externally restricted for future expenses as detailed below.

The Association received contributions for its programs from the Cattle Industry Development Council and Beef Cattle Industry Development Fund. These contributions are restricted for particular activities of the Association and are further restricted to fund those activities in time periods covered by the contribution agreements in place.

Changes in deferred contribution balances are summarized in the following table:

	2021	2020
Deferred contributions, beginning of year	\$ 35,500	\$ 35,000
Add amounts received for programs	167,000	35,500
Less amounts recognized as revenue in the year	(178,125)	(35,000)
Deferred contributions, end of year	\$ 24,375	\$ 35,500

6. Internally restricted net assets:

The Association collects penalties from dairy producers to fund research and education projects. During the year, the Association collected \$81,323 from producers, contributed \$38,677 from unrestricted funds and spent \$110,677 on projects. At year-end, the balance in the dairy industry research and education fund was \$276,189 (2020 - \$266,866).

During the year, the Association also unrestricted \$4,296,703 from the marketing and nutrition education fund.

7. Commitments:

The Association has commitments under operating leases for their locations which expire in January 2024.

The Association has an option to terminate one of the leases at any time for a payment of \$24,965.

The future minimum rental payments required under the operating leases are as follows:

2022	\$ 102,402
2023	102,402
2024	51,201
	\$ 256,005

8. Related party and related party transactions:

Dairy Industry Development Council (the "Council")

The Council collects contributions from dairy producers on behalf of the Association under the provisions of the Farming and Fishing Industries Development Act. These transactions are in the normal course of operations and are measured at the amount exchanged. During the current year the Council contributed \$10,556,323 (2020 - \$11,608,465) to the Association. At July 31, 2021, \$1,551,323 (2020 - \$2,379,005) due from the Council is included in contributions and accounts receivable.

Under the plan of the Council, as approved by the Minister responsible, the Council and the British Columbia Dairy Association have a common board of directors. The Association and the Council are thereby commonly controlled.

The accounts of the Council have not been consolidated with the Association. The following table is the Council's summary financial information for its most recent fiscal year ending December 31, 2020. The Council's complete financial statements are available to members upon request.

8. Related party and related party transactions (continued):

	2020	2019
Financial position as at December 31		
Total assets	\$ 8,821,257	\$ 5,975,431
Liabilities and Net Assets:		
Total liabilities ⁽¹⁾	\$ 86,308	\$ 3,072,969
Total net assets	8,734,949	2,902,462
	\$ 8,821,257	\$ 5,975,431
Results of operations year ended December 31		
Total revenues	\$ 13,963,154	\$ 15,066,060
Expenses: ⁽²⁾		
Fluid milk promotion	4,272,445	7,275,179
Industrial products promotion	2,912,000	4,670,609
Producer services, industry activities and administration	877,153	1,245,202
Research and education	69,069	157,567
	8,130,667	13,348,557
Excess of revenues over expenses	\$ 5,832,487	\$ 1,717,503
Cash flows year ended December 31		
Cash flows from operating activities	\$ 2,823,303	\$ 774,247
Increase in cash	\$ 2,823,303	\$ 774,247

(1) Total liabilities include \$nil (2019 - \$2,247,612) due to the Association.

(2) Total expenses include contributions of \$5,057,703 (2019 - \$8,652,286) to the Association.

9. Pension plan:

The Association participates in a defined contribution pension plan (the "Plan") administered by Manulife Financial Ltd. The Association and participating employees make monthly contributions to the Plan into a members accumulation account. The contribution is based on an annually determined contribution rate on the member's salary.

10. Financial risks:

The Association's financial risks are:

(a) Credit risk:

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Association's main credit risk relates to its contributions and accounts receivable. The Association monitors the credit risk of customers through credit rating reviews.

(b) Liquidity risk:

Liquidity risk is the risk that the Association will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Association manages its liquidity risk by monitoring its operating requirements and preparing budget and cash forecasts to ensure it has sufficient funds to fulfill its obligation.

There has been no change to the risk exposures outlined above from 2020, other than the pervasive impact of the ongoing COVID-19 pandemic which may lead to adverse changes in cash flows, assets, and liabilities, which may also have a direct impact on the Association's operating results and financial position in the future. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on operations is not known at this time.

11. Comparative figures:

Certain comparative figures have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.

British Columbia Dairy Association

Schedules of Expenses

Year ended July 31, 2021, with comparative information for 2020

Schedule A - Operations

	2021	2020
Contributions to other organizations:		
Dairy Farmers of Canada	\$ 4,967,514	\$ 3,034,945
Regional organizations	128,973	127,093
BC Agricultural Council	88,408	75,033
	\$ 5,184,895	\$ 3,237,071
Labour expenses:		
Salary and wages	\$ 1,543,375	\$ 1,509,616
Employee benefits, supplies, and payroll taxes	243,520	269,855
Human resources and recruiting	135,343	91,922
Employee professional dues, development, and recognition	56,217	15,874
Labour subcontracts	8,700	-
	1,987,155	1,887,267
Operating expenses		
Professional fees and consulting	218,496	43,417
Rent and office expenses	176,468	197,636
Directors' fees	112,106	108,165
Amortization	100,957	80,646
Computers	97,643	78,189
Audit, accounting, and legal	74,878	79,572
Travel of staff and directors	24,354	183,332
Telephone and communications	23,168	28,904
Interest and bank charges	21,931	6,710
Insurance	14,597	17,112
Entertainment, hospitality, gifts and donations	6,914	1,800
Postage and couriers	5,246	20,900
Conferences and meetings	4,169	29,872
Vehicles	945	25,802
Loss (gain) on disposal of capital assets	(17,374)	-
	864,498	902,057
	\$ 2,851,653	\$ 2,789,324

British Columbia Dairy Association

Statement of Changes in Net Assets

Year ended July 31, 2021, with comparative information for 2020

Schedule B - Projects and Initiatives

	2021	2020
Market growth:		
Marketing programs for British Columbia	\$ 3,851,488	\$ 4,198,670
Community engagement	33,260	111,793
	<u>3,884,748</u>	<u>4,310,463</u>
Nutrition education:		
School based programs	526,505	545,116
Programs for public and health professionals	42,812	389,263
	<u>569,317</u>	<u>934,379</u>
Producer services:		
Dairy business health	277,793	321,349
Issues management	50,695	45,008
Producer engagement	13,875	-
	<u>342,363</u>	<u>366,357</u>
Research and education	133,921	123,121
People and culture:		
Internal business processes	54,892	-
	<u>\$ 4,985,241</u>	<u>\$ 5,734,320</u>

British Columbia Dairy Association

Schedules of Expenses

Year ended July 31, 2021, with comparative information for 2020

Schedule C - Costs by department

	Administration	Marketing	Nutrition education	Producer and public affairs	Policy & sustainability	Digital communications	People and culture	2021	2020
Contributions to other organizations	\$ 5,184,895	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,184,895	\$ 3,237,071
Labour expenses	568,488	178,541	381,119	367,294	328,966	162,747	-	1,987,155	1,887,267
Operating expenses	628,623	202,730	4,052	9,125	3,610	16,358	-	864,498	902,057
	6,382,006	381,271	385,171	376,419	332,576	179,105	-	8,036,548	6,026,395
Project and initiative based expenses	-	3,568,852	569,317	262,623	266,520	263,037	54,892	4,985,241	5,734,320
	\$ 6,382,006	\$ 3,950,123	\$ 954,488	\$ 639,042	\$ 599,096	\$ 442,142	\$ 54,892	\$ 13,021,789	\$ 11,760,715



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