



# Our path to a stronger BC Dairy.

BC Dairy  
Association



2021–2022  
Annual report





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Every plan needs a direction, a focus.  
Our new mission statement will lead us into the future.

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**BC Dairy works to  
grow the market for dairy  
products and to support  
profitable, environmentally  
and socially responsible  
dairy farm businesses.**

**We bring dairy farmers  
together while building  
lasting relationships  
within our communities.**



“  
Our industry  
again  
stepped up  
to help.

## Message from the Chair

This was another challenging year for dairy farmers in BC, but also one in which we made strides forward even against these headwinds.

The weather didn't cooperate with us in any season. The economy wasn't any more gracious. Despite price increases from the Canadian Dairy Commission many of us are struggling to make ends meet as planting corn was delayed and the prices of fuel, fertilizer, and feed continue to rise.

It was hard on me and my family in Agassiz, and I know it's been hard on a lot of you as well.

And yet, through it all the spirit of dairy farming shone through. When the floods struck Abbotsford in November we helped each other relocate cattle and coordinate our response. When a tragic accident struck on Hwy 1 near Golden, taking the lives of two young men driving calves home from a competition in Manitoba, the industry again stepped up to help.

Along with so many dairy farmers and others from across our industry BC Dairy played its role in those crises – with communication, coordination, and engagement with government.

These events re-emphasized to me that supporting farmers in a crisis needs to be one of our core competencies at BC Dairy. When flood waters come, we need to have the skillsets and contacts in place to step in and help farmers through.

Over the last couple of years BC Dairy's board has undertaken a process to remake our association into one that meets the needs of dairy farmers today. As the climate, consumer preferences, and expectations of animal care change we need to change too. Emergency management and crisis response is one of our new areas of focus, and we've already made great strides in building our capacity on that front. We're also turning more focus to building new markets, to processing capacity, to milk transportation, and advocating for dairy with government.

In this annual report, we have laid out our new strategy for the next three years as we work towards a strong future for dairy in BC. I'd love to hear your thoughts once you've given this a read.



  
**Holger  
Schwichtenberg**  
Chair

## Message from the General Manager

As I reflect back on the last year for BC Dairy and dairy farmers in BC it is clear to me that the board of the association has set the right course for our work.

### **Our new mission:**

**BC Dairy works to grow the market for dairy products and to support profitable, environmentally and socially responsible dairy farm businesses.**

**We bring dairy farmers together while building lasting relationships within our communities.**

This new mission recognizes that the world is changing. If dairy is to retain its role as one of western Canada's most important agricultural products, holding a central place on so many family tables, we must change along with it.

We did not come to our new mission and the work that flows from it easily. Rather, we engaged in an extensive consultation with farmers and other stakeholders. We listened, we asked questions, and acted on what we heard.

### **What did we hear?**

BC Dairy must be a more active participant than ever before in developing markets for dairy products. This means working with government and all stakeholders to attract investment in processing and dairy product innovation. We must also continue to solidify the public's confidence in dairy farming practices, ensuring the public remains confident in their local dairy products and that we're bringing forward wholesome, responsible food that meets today's needs.

We must recognize that expectations about animal care, food quality, and environmental stewardship have changed, and make investments in equipment, land, and expertise necessary to stay ahead of that.

And, our association must ensure we are supporting farmers with the services they need to make these changes and to deal with challenges presented by the economy, weather, and regulation.

As Holger wrote in his letter, our ability to provide support in a climate-related crisis must become part of our core offering to our only customers – dairy farmers. Climate modelling tells us floods, fires, heat domes, and other events will become more common. Farmers have told us they need support to get through that.





Emergency response is far from the only focus in our new strategy. It's more important than ever that all levels of government hear from us about what dairy farming businesses need to survive and thrive. We're grappling with government changes to watershed security policy, animal welfare frameworks, environmental regulations, and emergency management tactics.

We must partner across the supply chain to ensure that the dairy products today's consumer wants are being processed as locally as possible, and that retailers and restaurants recognize the importance of our work and bring dairy forward on their menus and shelves.

### **That is our commitment to you.**

Read more about it in the pages of this annual report, and always feel free to reach out with any input.



**Jeremy Dunn**  
General Manager

# BC Dairy 2021 – 2024 Strategic Plan.

## Our path to a stronger BC Dairy

The process of evolving BC Dairy to better support the province's dairy producers culminated this year with the association board's adoption of a 2021 – 2024 Strategic Plan. The plan was developed with input from producers gathered at 13 engagement meetings across the province, where we held conversations about where the association needs to focus in the context of today's challenges and emerging societal trends.

Our industry is in a time of change, facing important issues including a shortage of processing capacity, changing consumer preferences, new regulatory requirements, more extreme weather events, and inflation. We have selected several priorities to focus on – advocating for farmers' interests to government, preparing for

emergencies, fostering new markets for dairy products, and building profitable and responsible dairy businesses – that will support the long-term success of dairy farmers across BC today and into the future.

This work will continue in the coming years as we contribute to the development of a modernized Western Milk Pool, bringing together the expertise and resources of the dairy associations across all four western provinces to better meet farmer needs.

This section details our new strategic plan at a high level, which flows from our new mission statement and extensive consultation with producers and industry stakeholders. The full plan is available from BC Dairy for any producers interested.





To meet our new mission, over the next three years  
we will focus on three priorities:

1  
Support long-term  
market growth for  
BC dairy products.

2  
Advocate for the  
business success of  
BC dairy producers.

3  
Support the health,  
safety, and security  
of producers and  
their families  
throughout BC.

# 1

## Support long-term market growth for BC dairy products.

**The challenge.** BC has insufficient processing capacity, during a time when farming practices are under increased scrutiny and consumer preferences are changing. **We will address these challenges in order to support long-term market growth by:**

### Developing partnerships

- Partnering in our supply chains to create new markets.

### Investing in innovation

- Supporting future markets in BC and the Western Milk Pool.
- Building programs to drive dairy processing capacity.

### Leveraging data and market intelligence

- Developing tools to ensure we understand our impact in the marketplace.
- Communicating our findings with dairy producers.

### Building trust and reputation

- Building confidence in dairy products and BC's dairy farmers through marketing, communications and consumer education.
- Developing new community partnerships to extend our reach and visibility.

### Advancing dairy processing

In January 2021 BC Dairy and industry partners released an independent report examining how dairy processing capacity might be expanded in the province to support growth in local milk production.

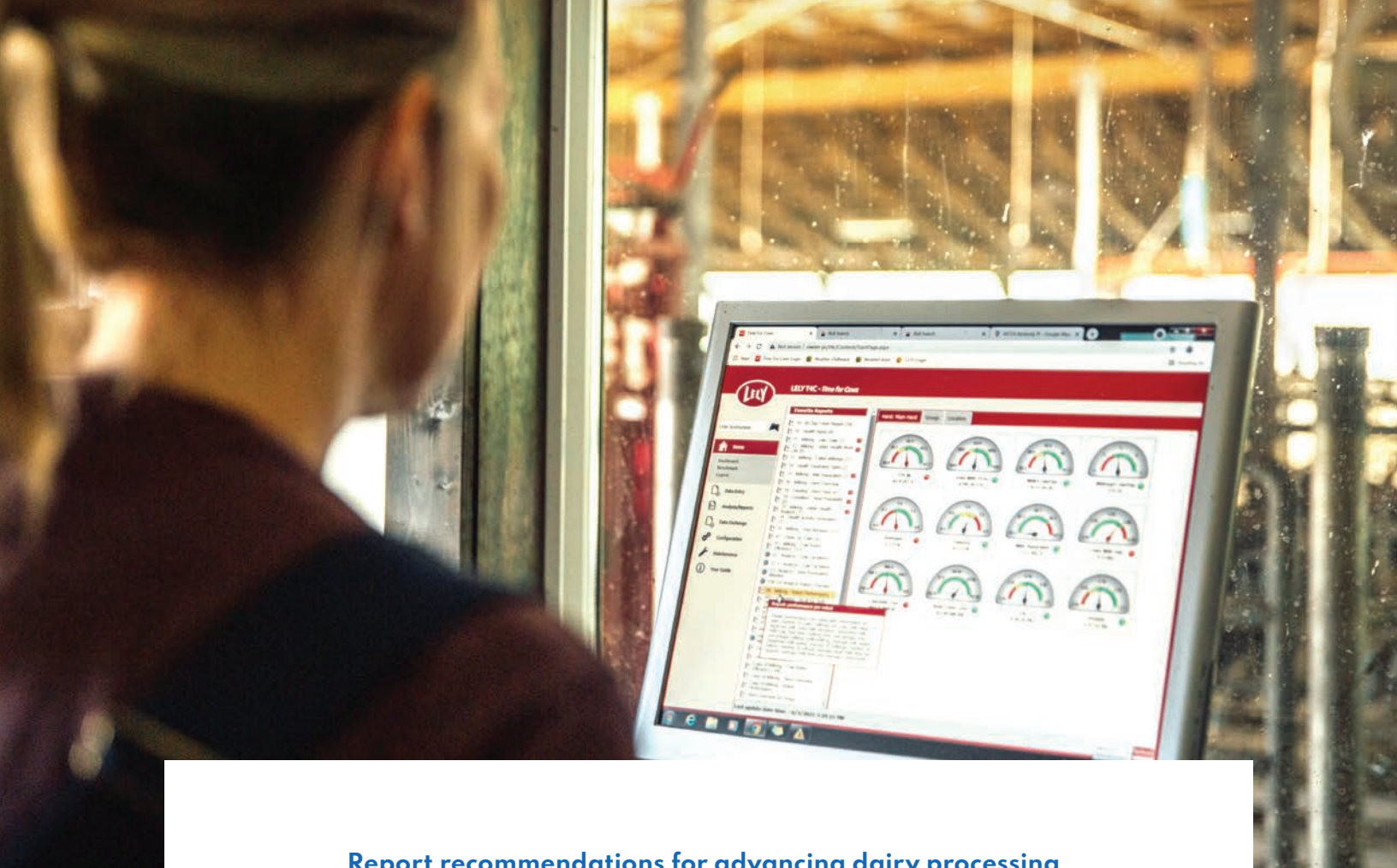
The report, Feeding the future: Advancing dairy processing in BC, is the first project of a larger BC Dairy Processing Initiative. Drawing from interviews with 26 processors large and small it put forward six recommendations about how increased processing might be encouraged in BC, and itemized both barriers and opportunities.

One of the recommendations is that a dairy processing co-packing facility be established in the province.

Several processors interviewed by the report's author expressed interest in forming partnerships with a co-packer that can maintain high quality standards. Such a facility could potentially process products from multiple agricultural operators to share costs, attractive for smaller companies that lack processing capacity and larger companies interested in running smaller test batches of new products.

Building on that report BC Dairy has retained consulting firm KPMG to investigate the economic feasibility of the project, in partnership with the Ministry of Agriculture. Their report is expected in early 2023.





## Report recommendations for advancing dairy processing

- 1 It is recommended that a full-time industry-led Business Development Officer be hired to focus on dairy processing expansion and innovation in the province of British Columbia.
- 2 It is recommended that BC Dairy and BC Milk Marketing Board continue to fully support the dairy processor advocacy efforts surrounding a legislated, mandatory, and enforceable Grocery Code of Conduct and the exclusive allocation of dairy product import quota to Canadian dairy processors.
- 3 It is recommended that BC Milk Marketing Board work with other provincial milk marketing boards and Canada's dairy processors to simplify Canada's milk classification and pricing system.
- 4 It is recommended that an industry-led Dairy Processing Specialist be hired to help British Columbia's dairy processors with their product innovation and new product formulation.
- 5 It is recommended that a dairy processing co-packing facility be established to facilitate dairy processing capacity expansion and innovation in the province of British Columbia.
- 6 It is recommended that the BC Government amend its Milk Industry Act and the Milk Industry Standards Regulation to remove all limits on the sale of dairy products to packages of specified size, weight or by dimensions or by volume.

## Advocate for the business success of BC dairy producers.

**The challenge.** Increased regulation, rising production costs, evolving expectations for animal care, climate change & related extreme weather events, and pressure on both land and water make dairy farming more challenging than ever. **We will address these challenges by being an advocate for BC's dairy producers.**



### We will do this by:

- **Advocating** to government for programs and policies that reduce costs and provide incentives – locally, provincially and federally.
  - Meetings and farm tours.
  - Advocacy days & attendance at the Union of BC Municipality Association conference.
  - Letters, position papers, and direct engagement on critical topics. For example:
    - > BC's Watershed Security Strategy (see more on page 11);
    - > Action on the \$800 million Abbotsford flood mitigation plan;
    - > Local governments' emergency management approach.
- **Investing** in programs and training that equip producers to serve on boards and committees making decisions, and to directly advocate for their interests.
- **Improving** animal care practices and addressing risk, in partnership with the BC Milk Marketing Board.
- **Enhancing** proAction administration across the Western Milk Pool.
- **Creating** better tools for measuring business health.
  - A business health index will be created to identify and respond to policies and market conditions of concern, so we can find opportunities for improvement.
- **Providing** more detailed information on the true costs of owning and operating a dairy farm to governments and key stakeholders, ensuring decisions are based on accurate data and information.
- **Focusing** on research and innovation that more directly supports business health goals.
- **Accessing** federal & provincial funding for dairy farm climate change research and programs.



## Advocating for farmer interests – BC's Watershed Security Strategy

For the first time in its history some areas of BC are experiencing significant water scarcity due to climate change and pressure from residential and commercial development.

The issue is particularly acute in the communities dependent upon the Koksilah Watershed on Vancouver Island where water restrictions have been brought in to limit irrigation during the prime August growing period to ensure sufficient water for residential drinking and other priority purposes. That's an untenable situation, with serious implications for local dairy farmers, and other food producers. We're participating in a local process organized by government and First Nations addressing this challenge.

While the issue is localized at this point will likely begin to affect other regions of the province as the climate changes and development continues.

BC launched a Watershed Security Strategy process last year, aimed at developing a provincial approach to managing water scarcity into the future. BC Dairy participated in the initial consultation held in March, and then developed a set of recommendations we've shared with the province in a letter on August 23, 2022.

Central to our recommendations, we are suggesting the province look at what other jurisdictions historically affected by water scarcity have done in developing their approaches, and that they designate food-producing agriculture as a priority water user in order to ensure reliable supply needed.

### We recommend the Province:

- 1 **Undertake development** of an options paper looking at how jurisdictions in Canada and around the world where water is scarce manage its supply.
- 2 **Consider developing** Agricultural Water Reserves (AWRs), similar to the Agricultural Land Reserve.
- 3 **Continue to prioritize** a separate project looking at ways to increase water storage, whether for an entire watershed or on individual farms.
- 4 **Re-prioritize** food-producing agricultural water use in decision-making about access to scarce supply. Currently water for food-producing agriculture is treated as an industrial use, without consideration for the importance of local food security.
- 5 **Develop guidelines** for the development of local or regional water governance frameworks.
- 6 **Implement regulation** requiring local governments to consider water supply when developing community plans or granting development permits.
- 7 **Inform** water usage and infrastructure decisions with updated science.
- 8 **Consider** adding additional staff within the Ministry of Land, water, and Resources dedicated to water management and waster sustainability planning.

## Support the health, safety, and security of producers and their families throughout BC.

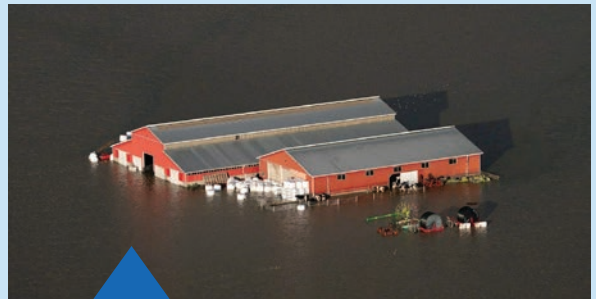
**The challenge.** We are experiencing an increased frequency of emergencies such as floods, fires, and animal welfare concerns. Farmers have higher levels of anxiety, depression, and burnout than that of the general population. **We will support the well-being of producers and their families, and refine our emergency response capabilities.**

### We will do this by:

- **Developing** a new emergency preparedness and management plan for BC Dairy, and through training programs developing the expertise needed to ensure we effectively support producers in any crisis.
- **Developing** mental health initiatives.
- **Advocating** to government around the unique needs of dairy farms during evacuation orders.

### Crisis – increasing frequency, enhanced response

The year threw a lot at BC's dairy farmers. In addition to changing regulatory and market conditions and the ongoing pandemic, we experienced several unprecedented weather and climate-related crises. The heat dome and forest fires of the summer led into the November floods in both Abbotsford and Okanagan, which were followed by freezing weather and a cold, wet spring that delayed planting crops. Along with other factors, these contributed to supply chain issues and rising costs for key inputs including fuel, fertilizer, and feed.

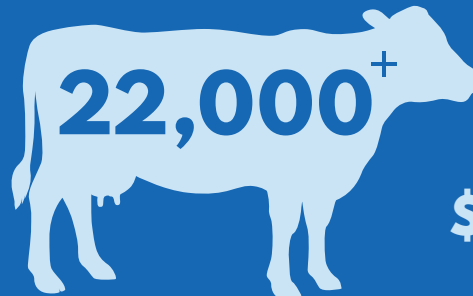


## The Flood

ON NOVEMBER 15–17, 2021:



farms ordered  
evacuated



cows on  
impacted farms



**\$1,042,786**

donated and distributed  
to 65 BC Dairy farms



## BC Dairy responded. We:

- **Embedded** staff in the provincial emergency operations centre, ensuring dairy producers' needs were accounted for in the province's response and we received information farmers needed.
- **Worked** with farmers to coordinate the evacuation of herds and arrange 'buddy' farms to care for them, and then to ensure cows remaining the flooded area were watered and fed.
- **Coordinated** intake and distribution of a massive volume of donations – in-kind and more than \$940,000 in cash.
- **Communicated** with government, stakeholders, media, and the public:
  - Managed 115 media queries.
  - Arranged dozens of interviews with BC Dairy board members and impacted farmers.
  - Were quoted and mentioned in 1,200 media stories.

In the aftermath, we helped secure support for dairy farmers and advocated for programs based on what producers told us they needed. On Feb 7 Ottawa and Victoria announced a \$228 million flood recovery program for farmers. BC Dairy was front-and-centre when the package was announced – quoted in the announcement. We continued to advocate with government, ensuring further changes were made to government programs including the DFA and DFAA to support farmers.

Climate modelling tells us we're likely to see more extreme weather events in the future. We are making preparedness for crisis related to climate and any other cause a core part of our work going forward, ensuring we can support farmers when they need it most.

## To-date we have:

- **Engaged** experienced consultants to develop an operational emergency response plan.
- **Refreshed** our existing crisis communications plan.

## We have plans to:

- **Train** staff and board members on crisis response – with plans to regularly refresh the skillsets.
- **Extend** capacity by bringing producers and other members of BC's dairy community in to crisis response as part of local emergency operations centres and communications efforts.

## We are also advocating with government for continued action:

- **Engaging** with the City of Abbotsford to ensure its flood mitigation plan protects farmers while minimizing any negative potential impacts.
- **Advocating** with the province for funding of Abbotsford's plan, addressing needed Nooksack River flood mitigation measures with Washington state, and to ensure any farmers impacted by new dike construction or other measures are fairly compensated.
- **Advocating** with the province for development of programs supporting farmers:
  - BC's Extreme Weather Preparedness for Agriculture pilot program launched in the summer provides up to \$35,000 for on-farm projects. We're advocating for more funding windows in the future with a refined list of projects that will be funded.

# Advocating for dairy with government.



BC Dairy hosted numerous federal, provincial, and local elected officials on farms across BC this year, ensuring governments have a basic understanding of and appreciation for what happens on a dairy farm when making decisions that impact us. We looked at how BC's dairy producers care for the animals in their charge, steward the land, and produce nutritious milk to feed communities across BC. We engaged in dialogue about the unique needs of dairy farmers in extreme weather events, rising cost of production, and regulation.





# BC Dairy helping food banks feed BC.

BC Dairy undertook numerous campaigns supporting BC's food banks in the year, especially focused on providing healthy dairy and other products to families with children and youth.

## ONE EXAMPLE

### Eat good, do good campaign | MAY 9 – JUNE 19, 2022



- **Raised \$50,000** for food banks across BC.
- BC Dairy **partnered with Food Banks BC and 31 local restaurants.**
- Restaurants identified dairy-forward menu items on special event menus, and we made a donation every time someone ordered them.  
Examples: Old Spaghetti Factory lasagna, or a milkshake from Fable.

This campaign supported food banks, while also giving a boost to BC restaurants as people returned after pandemic restrictions were lifted.

# 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, 2022
- 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, 2022 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.

KPMG LLP, an Ontario limited liability partnership and member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Canada provides services to KPMG LLP.

### ***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.

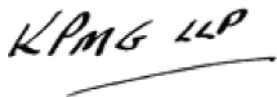
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.
- Evaluate the appropriateness of accounting 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 25, 2022

## Statement of Financial Position

July 31, 2022, with comparative information for 2021

	2022	2021
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,393,450	\$ 1,228,089
Contributions and accounts receivable (note 2)	2,048,525	1,575,824
Prepaid expenses	575,160	573,339
Promotion and nutrition project supplies	71,375	72,606
	<u>4,088,510</u>	<u>3,449,858</u>
Capital assets (note 3)	91,303	132,324
	<u>\$ 4,179,813</u>	<u>\$ 3,582,182</u>

## Liabilities

Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 1,478,624	\$ 585,966
Deferred contributions (note 5)	130,275	24,375
	<u>1,608,899</u>	<u>610,341</u>
Net assets:		
Unrestricted net assets	2,156,506	2,563,328
Invested in capital assets	91,303	132,324
Internally restricted (note 6)	323,105	276,189
	<u>2,570,914</u>	<u>2,971,841</u>
Commitments (note 7)		
	<u>\$ 4,179,813</u>	<u>\$ 3,582,182</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, 2022, with comparative information for 2021

	2022	2021
Revenue:		
Contributions from DIDC	\$ 11,800,000	\$ 10,475,000
Contributions from dairy producers	122,484	81,323
Recoveries and other contributions	120,439	279,249
Interest	19,660	11,673
	<u>12,062,583</u>	<u>10,847,245</u>
Expenses:		
Operations (Schedule A):		
Contributions to other organizations	4,662,584	5,184,895
General overhead and labour	3,209,249	2,906,544
Projects and Initiatives (Schedule B):		
Market Development	4,122,308	4,454,066
Producer and public affairs	354,151	342,363
Research and innovation	115,218	133,921
	<u>12,463,510</u>	<u>13,021,789</u>
Deficiency of revenues over expenses	\$ (400,927)	\$ (2,174,544)

See accompanying notes to financial statements.

## Statement of Changes in Net Assets

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

	Unrestricted	Invested in capital assets	Internally restricted	Total 2022	Total 2021
Balance, beginning of year	\$ 2,563,328	\$ 132,324	\$ 276,189	\$ 2,971,841	\$ 5,146,385
Deficiency of revenues over expenses	(345,558)	(55,369)	-	(400,927)	(2,174,544)
Net change in invested in capital assets	(14,348)	14,348	-	-	-
Transfer of funds (note 6)	(46,916)	-	46,916	-	-
Balance, end of year	\$ 2,156,506	\$ 91,303	\$ 323,105	\$ 2,570,914	\$ 2,971,841

See accompanying notes to financial statements.

British Columbia Dairy Association

## Statement of Cash Flows

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

	2022	2021
Cash provided by (used in):		
Operations:		
Cash received for contributions and recoveries	\$ 11,676,121	\$ 11,670,805
Cash received for interest	19,660	11,673
Cash paid for labour, materials and services	(11,516,072)	(12,644,176)
	179,709	(961,698)
Investing:		
Purchase of capital assets	(14,348)	(73,785)
Increase (decrease) in cash and cash equivalents	165,361	(1,035,483)
Cash and cash equivalents, beginning of year	1,228,089	2,263,572
Cash and cash equivalents, end of year	\$ 1,393,450	\$ 1,228,089

See accompanying notes to financial statements.



## Notes to Financial Statements

Year ended July 31, 2022

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### **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.

(g) Measurement uncertainty:

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.

British Columbia Dairy Association

Notes to Financial Statements (continued) | Year ended July 31, 2022

**2. Contributions and accounts receivable:**

	2022	2021
Receivable from Dairy Industry Development Council, a related party	\$ 2,012,484	\$ 1,551,323
Other contributions and accounts receivable	36,041	24,501
	<b>\$ 2,048,525</b>	<b>\$ 1,575,824</b>

There are no allowances for doubtful accounts.

**3. Capital assets:**

			2022	2021
	Cost	Accumulated amortization	Net book value	Net book value
Computer equipment	\$ 115,319	\$ 98,727	\$ 16,592	\$ 27,056
Furniture and fixtures	164,734	129,666	35,068	44,707
Vehicles	199,282	166,214	33,068	49,603
Leasehold improvements	284,861	278,286	6,575	10,958
	<b>\$ 764,196</b>	<b>\$ 672,893</b>	<b>\$ 91,303</b>	<b>\$ 132,324</b>

**4. Accounts payable and accrued liabilities:**

	2022	2021
Payable to suppliers for supplies and services	\$ 1,315,768	\$ 498,634
Accrued liabilities include amounts payable to/on behalf of employees for wages and benefits	140,529	87,332
Payable to Receiver General for GST and source deductions	22,327	-
	<b>\$ 1,478,624</b>	<b>\$ 585,966</b>



**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 ("CIDC") and Beef Cattle Industry Development Fund ("BCIDF"). 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.

Other deferred contributions relate to funding received for future projects or programs.

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

	2022	2021
Deferred contributions, beginning of year	\$ 24,375	\$ 35,500
Add: amounts received for programs	158,400	167,000
Less: amounts recognized as revenue in the year	(52,500)	(178,125)
Deferred contributions, end of year	\$ 130,275	\$ 24,375

Deferred contribution balances relate to:

	2022	2021
CIDC/BCIDF	\$ 84,375	\$ 24,375
Emergency Response Plan for Natural Disasters	25,000	-
B.C. Dairy Conference sponsorships	20,900	-
	\$ 130,275	\$ 24,375

**6. Internally restricted net assets:**

The Association collects penalties from dairy producers to fund research and education projects. During the year, the Association collected \$122,484 (2021 - \$81,323) from producers, contributed \$nil (2021 - \$38,677) from unrestricted funds and spent \$75,568 (2021 - \$110,677) on projects. At year-end, the balance in the dairy industry research and education fund was \$323,105 (2021 - \$276,189).

**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:

2023	\$	102,402
2024		51,201
	\$	153,603

**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 \$11,922,484 (2021 - \$10,556,323) to the Association. At July 31, 2022, \$2,012,484 (2021 - \$1,551,323) 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, 2021. The Council's complete financial statements are available to members upon request.

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

	2021	2020
Financial position as at December 31		
Total assets	\$ 7,653,126	\$ 8,821,257
Liabilities and Net Assets:		
Total liabilities	\$ 105,249	\$ 86,308
Total net assets	7,547,877	8,734,949
	\$ 7,653,126	\$ 8,821,257
Results of operations year ended December 31		
Total revenues	\$ 15,238,378	\$ 13,963,154
Expenses: <sup>(1)</sup>		
Milk promotion	16,075,000	7,900,635
Administration, audit and legal	135,735	160,963
Membership dues	133,391	-
Research and education	81,324	69,069
	16,425,450	8,130,667
Excess (deficiency) of revenues over expenses	\$ (1,187,072)	\$ 5,832,487
Cash flows year ended December 31		
Cash flows from operating activities	\$ (1,077,715)	\$ 2,823,303
Investing	(1,128,329)	(180,606)
Increase (decrease) in cash	\$ (2,206,044)	\$ 2,642,697

<sup>(1)</sup> Total expenses include contributions of \$16,156,323 (2020 - \$5,057,703) 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.

**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.

## Schedules of Expenses

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

### Schedule A - Operations

	2022	2021
Contributions to other organizations:		
Dairy Farmers of Canada	\$ 4,459,776	\$ 4,967,514
Regional organizations	123,957	128,973
BC Agricultural Council	78,851	88,408
	<u>\$ 4,662,584</u>	<u>\$ 5,184,895</u>
Labour expenses:		
Salary and wages	\$ 1,643,498	\$ 1,543,375
Employee benefits, supplies, and payroll taxes	297,381	243,520
Employee professional dues, development and recognition	53,288	8,700
Labour subcontracts	52,720	62,347
Human resources and recruiting	18,452	135,343
	<u>2,065,339</u>	<u>1,993,285</u>
Operating expenses		
Professional fees and consulting	336,098	267,001
Rent and office expenses	183,836	176,724
Directors' fees	172,802	112,106
Travel of staff and directors	118,112	24,354
Audit, accounting, and legal	102,120	74,878
Information technology	86,699	97,643
Amortization	55,369	100,957
Conferences and meetings	42,305	4,169
Insurance	15,374	14,597
Entertainment, hospitality, gifts and donations	14,094	6,914
Telephone and communications	7,603	23,168
Interest and bank charges	6,303	21,931
Postage and couriers	3,195	5,246
Vehicles	-	945
Loss (gain) on disposal of capital assets	-	(17,374)
	<u>1,143,910</u>	<u>913,259</u>
	<u>\$ 3,209,249</u>	<u>\$ 2,906,544</u>

British Columbia Dairy Association

Schedules of Expenses (continued)

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

**Schedule B - Projects and Initiatives**

	2022	2021
Market development:		
Marketing programs	\$ 3,871,338	\$ 3,851,488
Community engagement	110,180	462,976
Nutrition and dairy education	140,790	139,602
	4,122,308	4,454,066
Producer and public affairs:		
Dairy business health	302,601	277,793
Public affairs	28,163	50,695
Producer engagement	23,387	13,875
	354,151	342,363
Research and innovation	115,218	133,921
	\$ 4,591,677	\$ 4,930,350



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

**Schedule C - Costs by business area**

	Administration	Market development	Producer and public affairs	2022	2021
Contributions to other organizations	\$ 4,662,584	\$ -	\$ -	\$ 4,662,584	\$ 5,184,895
Labour expenses	565,692	749,846	749,801	2,065,339	1,993,285
Operating expenses	830,349	284,840	28,721	1,143,910	913,259
	6,058,625	1,034,686	778,522	7,871,833	8,091,439
Project and initiative based expenses	-	4,122,308	469,369	4,591,677	4,930,350
	\$ 6,058,625	\$ 5,156,994	\$ 1,247,891	\$ 12,463,510	\$ 13,021,789



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