

Better together.



BC Dairy
Association



2022 – 2023
Annual report

2022-2023 BC Dairy Board of Directors

Holger Schwichtenberg,
Chair + Western Milk Pool Rep.
Mainland Region

Sarah Sache,
Vice Chair + BCAC Rep.
Member at Large

John Kerkhoven,
Treasurer + Dairy Innovation West Rep.
Member at Large

Casey Pruim,
Secretary | Mainland Region

Dave Taylor,
DFC Rep. | Island Region

Henry Bremer | Southern Region

John de Dood | Southern Region

Mark Van Klei | Mainland Region

Lindsay Heer | Northern Region

Brian Janzen | Member at Large

Ken Miller | Independent Director

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This year, our annual report's theme is 'Better together,' reflecting BC Dairy's new Vision, which is in alignment with the evolving Western Milk Pool. BC Dairy has adopted a strategic plan that is aligned with each of the other four boards across Western Canada, because we really are better together.

Our Vision

**Better together
for Canadian Dairy**

Our Mission

**Inspiring, innovating,
and collaborating to build
a healthy Canadian
dairy industry**

Our Guiding Behaviors

**Think bigger, Win-win,
Fact based**

Message from the Chair

“
A lot of
firsts on
BC dairy
farms.



As I write to you this year there are a lot of firsts happening on BC dairy farms, as we all work to adapt in the face of challenging costs and weather.

We are increasingly recognizing our climate is changing and that will impact our operations for the long-term. We're investing in irrigation, fans and misters for our barns, and other infrastructure that will help us be more resilient in coming years. We're entering into feed contracts and paying closer attention to cattle inventory and production than ever before, making sure we're as financially efficient as we can possibly be. We're also choosing to be part of the solution – planting winter cover crops to increase forage production, reduce erosion, and hold nitrogen; preparing nutrient management plans to take care of the long-term health of our land; planting more trees; and in some instances even establishing riparian zones.

Not all of us have weathered these times. Some farmers have had to make that very difficult decision to leave the industry due to the economics of their operations becoming unviable. As your chair, I do not want to see our industry lose more producers – farm families who have been providing nourishing food while supporting good jobs and playing a key role in communities for generations.

BC Dairy is working on your behalf to help establish the conditions getting us back to profitability. One initiative we recently undertook was a business cost report setting out the realities of dairy farming in BC, sharing that with the provincial and federal governments and asking they consider it before implementing any new fees, taxes, and regulation.

BC Dairy is also taking a new approach within our own operations to better support the industry's long-term success.

We are drawing closer with BC Milk – we'll be sharing a single office space by next summer, and our boards will be working more closely together. We have committed to the transformation of the Western Milk Pool into a stronger regional organization. The WMP will have the scale to speak with one voice at the national table and take on larger projects like Dairy Innovation West – a remarkable achievement that will help moderate transportation costs for all of us.

The importance of DIW is significant, and only possible through the WMP's scale and collaboration with our fellow producers in Alberta, Saskatchewan, and Manitoba. It's taken patience to get here, but we've learned a lot that will set us up to take on similar projects in the future.

WMP also makes us a one-stop-shop for processors and other stakeholders with a more national scope, who now need to have just one meeting with the WMP rather than meeting separately with each province. I cannot state the importance of this in attracting new processing capacity to Western Canada.

As always, we are here to serve you. If you have questions or feedback for BC Dairy, please don't hesitate to reach out to me or your fellow board members.




Holger Schwichtenberg
Chair

Stronger through collaboration with partners in dairy.

This has been a year of transformation at BC Dairy.

The transition of the Western Milk Pool (WMP) has been a key focus this year – working with colleagues across Western Canada to foster a more active collaboration between the four western provinces. I truly believe that by working together we will be in a better position to tackle the big issues facing farmers here in BC and across Western Canada.

Finalizing the business and financing structure for Dairy Innovation West (DIW) was a top priority this year, and I am pleased that our collaborative approach across the Western Milk Pool has brought this project to fruition. When completed, DIW will curb transportation costs for every dairy farmer in Western Canada and provide opportunities for growth.

In a similar vein, we have been working with the BC Milk Marketing Board to align the interests of BC's two dairy organizations. We're the only province in Canada with both an association and a regulatory board and working much more closely together into the future will make us stronger and better positioned to support the interests of dairy farmers.

An important focus of our work has been to build stronger relationships with processors and partners along the supply chain to support long-term market growth. Our work with processors is multi-faceted. We partnered on a number of integrated retail promotions with local and national processors that drive incremental dairy volume on high value dairy products such as fluid milk and yogurt in the Western Milk Pool. We're also working closely with the Western Dairy Council, the association representing dairy processors in Western Canada, to jointly advocate for the health and growth of the dairy sector on important initiatives such as the Grocery Code of Conduct, in an effort to create more transparent and equitable relationships between grocery retailers and their suppliers.

We have prioritized communicating with government at all levels, ensuring local government and the province clearly understand the issues that our industry is facing and how we can work constructively together to address them. This is critical work at a time when the impacts of regulation and government action on a breadth of issues have a direct impact on the ability for dairy farmers to operate profitable and sustainable businesses. We will continue to make government aware of the cost of operating a dairy farm business in BC, the need for predictable agricultural water access, flood and extreme weather infrastructure and mitigation, holding the line on fees and taxes, and a lot more.

BC Dairy's marketing and communications builds on our advocacy and supply chain partnerships. Our community partnerships and associated communications efforts ensure that consumers have a positive view of BC dairy farmers and feel confident in the quality and nutritional benefit of consuming dairy products. This year, we established important relationships with local charities working to support children's health. We launched a new partnership with Canuck Place Children's Hospice, helping to raise funds through the Milk 'n' Cookies for Canuck Place campaign. We also began a new partnership with BC Children's Hospital Foundation, and plan to grow awareness of dairy farmers' support for their local communities through this partnership in the coming year.

I am grateful for the dedicated work of BC Dairy's staff, the leadership of the BC Dairy board, and our collaborative relationship with the BC Milk Marketing Board. I also want to acknowledge the hard work of the staff and boards at each of the dairy organizations across Western Canada and our partners at Dairy Farmers of Canada. Change is never easy, even positive change, but we are getting it done to set the stage for our industry's long-term success.

We know this is a tough time to be a dairy farmer in BC. We want you to know that the Western Milk Pool transformation is focused on addressing challenges to better serve and support producers in this province, across the WMP, and ultimately in support of a healthy Canadian dairy industry.



A stylized, handwritten signature in dark blue ink, consisting of a large, fluid 'J' followed by a horizontal line that tapers off to the right.

Jeremy Dunn
General Manager

A word from the Western Milk Pool.



Message from the Western Milk Pool Chief Executive Officer

What connects our past, our present, and our future? Our vision. Our mission. And our people. As the new CEO of the Western Milk Pool (WMP), I am proud to be part of an organization that has such relevant strategic direction that inspires the future while providing practical guidance in the present.

Since joining the WMP I have seen these principles in action daily, informing organizational design, its strategy and, as we progress, its execution. I've worked closely with each of our provinces and their teams, and I already see collaboration and innovation growing in everything we do. Our guiding behaviours focus us on thinking bigger and seeking the win-win through fact-based decisions. The combination of our great people with our brilliantly simple strategic direction provides the foundation for the WMP to realize its vision.

As I look at how far WMP has already come, I am excited to be part of working Better Together not only for the west but for all of Canadian dairy and its producers. Thank you for trusting me to take the helm and seeing us into the future of the Western Milk Pool.



Nolan Berg
WMP CEO



Message from the Western Milk Pool Chair

For 26 years our western provinces have collectively been working towards the Western Milk Pool (WMP) as we know it today. In 1997, we saw the original agreement signed by what were the Alberta Dairy Control Board, British Columbia Milk Marketing Board, Saskatchewan Milk Control Board, Manitoba Milk Producers, and the Canadian Dairy Commission.

Ten years after that, in 2007, I was originally elected to the Dairy Farmers of Manitoba board and have seen much progress and change to the WMP during my tenure. My latest appointment, becoming chair in 2023, I believe came as part of one of our greatest successes to date – finalizing our strategic plan and our board.

Having this provincial alignment and shared vision has helped our board to make decisions as a whole, moving forward important transformation governance and organizational decisions as well as projects like Dairy Innovation West (DIW). Since I first made the DIW project announcement in 2019, it has been exciting to be part of the progress and to be able to see shovels in the ground this year.

As a producer myself, I am proud to have been part of the WMP as we move to working more efficiently and effectively on behalf of our producers for the benefit of the entire industry. I am pleased to welcome Nolan Berg to his position as CEO and am already enjoying working alongside him as he strives to move both the WMP and the industry forward.



Henry Holtmann
WMP Chair

The Western Milk Pool was initially formed in 1997 as a large milk shed, with a pooling agreement for revenue and markets. Over the last few years it has been undergoing a transformation into a modern collaboration between the independent dairy organizations in the four western provinces. The transformed WMP gives us a unified voice on important topics, creates the scale needed to take on large projects, and allows us to create much needed efficiencies in service delivery.

VISION
Better Together
for Canadian Dairy

MISSION
Inspiring, innovating, and
collaborating to build a healthy
Canadian dairy industry

GUIDING BEHAVIOURS
Think bigger
Win-win
Fact-based

KEY RESULT AREAS
Transformation
National Relationships
Processing and
Processor Relationships
Producer Engagement

NOVEMBER 20, 2019

Announced that a new dairy concentration facility, Dairy Innovation West (DIW), will be built in Alberta. DIW will be owned by the Western Milk Pool members and will be operated by Vitalus Nutrition Inc.

MAY 5, 2022

Engaged Lactanet to provide proAction validation services.

FEBRUARY 22, 2023

Updated strategic plan is announced.

MAY 29, 2023

Announced the appointment of **Nolan Berg** BSc. Ag., MBA, P.Ag. as the new Chief Executive Officer (CEO) for the WMP.

AUGUST 21, 2023

Construction of Dairy Innovation West (DIW) is getting underway. All required financing and construction approvals are in place, clearing the way for work to get started on the ground.

MARCH 1, 1997

Original agreement to form the Western Milk Pool signed by the Alberta Dairy Control Board, British Columbia Milk Marketing Board, Saskatchewan Milk Control Board, Manitoba Milk Producers, and the Canadian Dairy Commission.

JULY 23, 2009

The Canadian Dairy Commission receives the Serecon study commissioned to 'identify ways of improving the effectiveness of milk allocation to processors within the Western Milk Pool (WMP) and the milk transportation system, potentially leading to greater cooperation and systemic efficiencies amongst the WMP members'.

SEPTEMBER 9, 2022

Announcement made that all five western provincial boards unanimously agreed to support a new modernized governance model for working together.

APRIL 26, 2023

WMP board is formed. Members are drawn from the dairy associations of all four provinces, and include:

Stuart Boeve – Alberta Milk

Janice Comeau – BC Milk (Vice Chair)

Matthew Flaman – SaskMilk

Gerrit Haarman – Alberta Milk (Secretary)

Henry Holtmann
Dairy Farmers of Manitoba (Chair)

Albert Leyenhorst – SaskMilk

Holger Schwichtenberg
BC Dairy

Jeremy Wiebe – BC Milk

David Wiens
Dairy Farmers of Manitoba

Better together.

This has been a year of transformation, with a new focus on coming together with partners to better serve producers by building a healthy, resilient western Canadian dairy industry.

Earlier this year BC Dairy and BC Milk adopted strategic plans with the same vision, mission, and guiding behaviors – the two independent organizations working on the same strategic goals.

The vision, mission, and guiding behaviors adopted by BC Dairy & BC Milk are the same as those crafted by the Western Milk Pool board in early 2023 after an extensive process of determining where the WMP needs to focus its resources to support dairy farmers into the future.

Measuring our progress

What gets measured gets done, so we've established three key results areas – areas of focus, each with 'key performance indicators' we're working to achieve and which directly support our vision and mission.



Key results areas, and their indicators of success:

- **Transformation**
BC Dairy and BC Milk boards functioning as one board, under one strategic plan
- **Government relationships**
An excellent rapport with the Farm Industry Review Board (FIRB) and the Ministry of Agriculture and Food
- **BC leadership ecosystem**
Excellent relationship between dairy association boards, regional associations, and producers

What we've accomplished this year.

Last year's BC Dairy annual report detailed key areas of focus for the year as we pursued a vision of "Dairy farmers contributing to a healthy, vibrant, and thriving British Columbia." With the theme Our Path to a stronger BC Dairy, the report spoke to three key areas of focus:

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1

Support long-term market growth for BC dairy products.

Our Progress:

Dairy Innovation West – construction announced August 21. (See more on page 12)

Co-packing plant – feasibility study delivered in June.

Market development and community engagement – BC Dairy and Alberta Milk's marketing teams merged, creating a fresh approach to market development with new campaigns centered on collaborations with community partners and dairy processors. (See more on page 14)

2

Advocate for the business success of BC dairy producers.

Our Progress:

Water advocacy with the province – BC's draft Watershed Security Strategy recognizes agriculture as a distinct water user group, a first in BC. A Koksilah watershed agreement is signed between BC and First Nations. BC Dairy is engaged in next steps to support dairy producer irrigation water access.
(See more on page 18)

Farmed Animal Welfare Framework – Dairy representatives appointed to provincial working group.

Business cost report – Shared with producers in September. Shared with government with ask that BC government hold the line on any new taxes, fees, and regulations that may impact farmers' bottom line.
(See more on page 19)

Dairy Producer Support program established. Regional producer education workshops held in all regions of BC. Individual visits to BC dairy farms underway – reviewing dairy code, supporting animal care. Working with any farms needing additional support.
(See more on page 16)

3

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

Our Progress:

Emergency management response plan developed – our organizational guide to support farmers and communicate in future extreme weather events.

Silage fire risk – Pursuing research project.

We explore a few of these projects in more detail on the following pages

Dairy Innovation West (DIW)

On Aug 21 the Western Milk Pool announced construction was getting underway at Dairy Innovation West.

Once complete DIW will be the first milk concentration plant in Canada. Situated in central Alberta, near Red Deer, it will be in a region with numerous dairy farms but insufficient processing capacity. Currently, raw milk from the region is trucked for processing across Western Canada, as far away as Abbotsford.

DIW will concentrate this milk, removing water and thus volume and weight. The concentrate will still need to be transported for processing, but only one truck will be needed for every three or four today. That will reduce transportation costs for all farmers in the region while also reducing the environmental footprint.

Concentrate is also an attractive product that may help attract more processing to the region – cheese-makers, for example, often have to concentrate raw milk before making their products. Being able to purchase concentrate directly will allow them to skip that step.

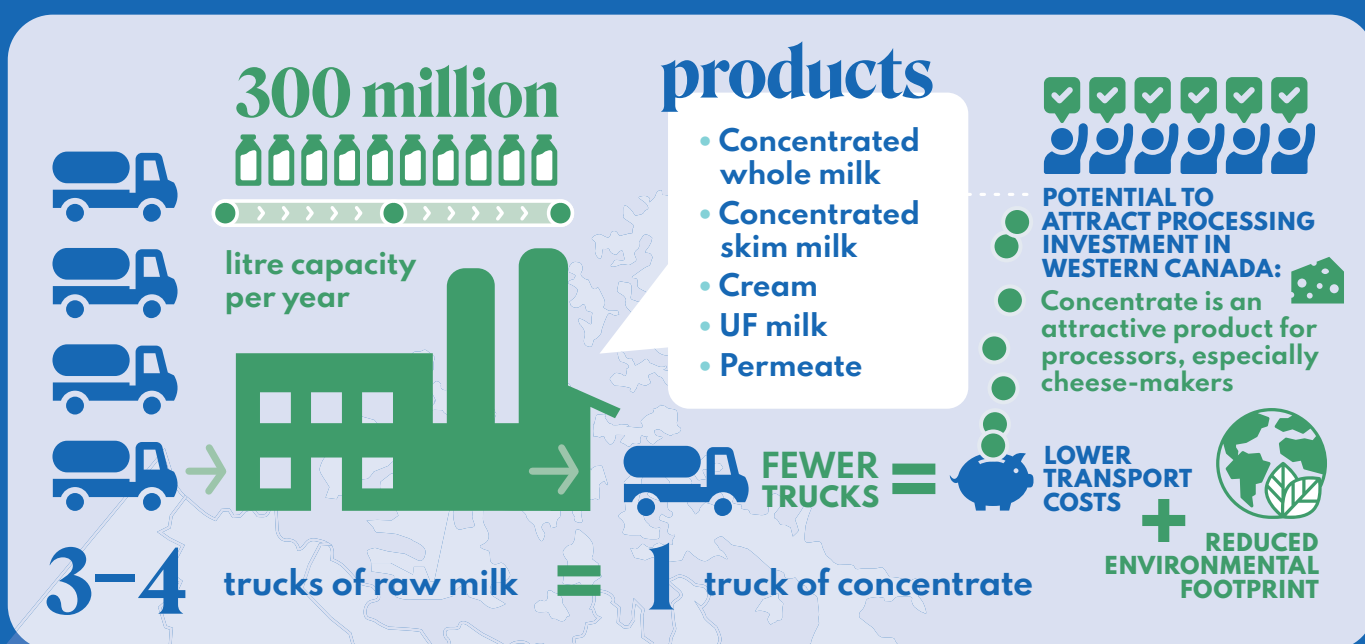
DIW is only possible through the Western Milk Pool. Collaboration between BC, AB, SK, and MB created the scale necessary to take on this project, and processors in all four provinces will likely take the concentrate.

It has taken some patience and persistence to get to this point – the project is complex, the first of its kind in Canada, and required regulatory approval across all four jurisdictions. Lessons learned will clear the way for future projects on this scale.



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When completed, DIW will curb transportation costs for every dairy farmer in Western Canada and provide opportunities for growth.



★ Dairy Innovation West

Milk concentration plant co-owned by dairy organizations in four western provinces

Market development & community engagement

BC Dairy and Alberta Milk – Better Together

This year BC Dairy began working in partnership with Alberta Milk to deliver marketing and communications initiatives under a new collaborative model. Through the BC Alberta (BCA) team staff from both provincial dairy associations organizations came together to develop consistent campaigns with shared suppliers and aligned metrics.

The team's marketing and community engagement strategy supports long-term market development through fostering a positive view of dairy farmers and confidence in the quality and nutritional benefit of consuming Canadian dairy products. Market research shows that the more affinity the public feels for dairy farmers, the better they feel about consuming dairy products.

Much of this work is done through community partnerships that directly support local communities – working with trusted partners that share BC Dairy's values of support for children's health, helping people facing food insecurity, and the development of youth athletics. This year, major partnerships were established with BC Children's Hospital Foundation and Canuck Place Children's Hospice, while existing partnerships with organizations such as BC Agriculture in the Classroom, BC School Sports, and the Abbotsford Canucks continued.

Advertising highlighting these partnerships throughout the year was supported with ongoing media relations, content creation, and social media.

14% We conducted market research this spring that found consumers' perception that dairy farmers have a positive impact in their communities increased 14% when they recalled seeing ads and other information about BC Dairy's community partnerships.

More than Milk

To reinforce how farmers are an integral part of their local communities, we developed a campaign visually demonstrating some of our many stories. To complement the campaign's TV ads, local dairy farmers also created videos on their farms that were shared to promote a \$100,000 donation made by BC's dairy farmers to Food Banks BC and encourage the public to donate as well.

The campaign achieved great results – especially with younger British Columbians. On average in BC, nearly half (47%) of residents recalled the campaign, with recall being the highest among those aged 16-29 (68%). 72% had a positive response to the ads.



Nutrition education

The Nutrition Education team continued their commitment to supporting the health of our communities with food and nutrition programs that spanned from early childhood education to secondary classrooms. Throughout the 2022-2023 school year, BC Dairy programing was taught in over 50 cities across reaching over 10,000 students. Highlights included the launch of self-paced teacher workshops available on the BC Dairy website and the release of the update to Food for Us for grades 2-3.

BC Dairy also continued support of BC Agriculture in the Classroom (BCAITC) and the BC School Fruit and Vegetable Nutritional Program + Milk during the school year – reaching more than 146,000 students with milk in their classrooms. For the upcoming 2023-2024 school year BCAITC is looking to expand the program by offering more deliveries as well as yogurt and cheese to BC students.



Olympic yogurt – Greek Organic yogurt

Building strong partnerships with processors continues to be a top priority for BC Dairy – helping increase retail sales and supporting local processors in growing their market share in BC and nationally.



A great example over the past year is the partnership with Lactalis and its Olympic yogurt brand. In fall 2022, BC Dairy supported the launch of the 1.75kg tub of Olympic Greek yogurt with a retail promotion. Olympic became the best-selling organic Greek yogurt in the market, with double digit growth.

Producer Support

In the fall of 2021 BC Dairy launched a **Producer Support Program** offering the province's dairy producers **on-the-ground support**. For the last 18 months the association's Producer Support Manager, Morgan Sangster, has been working her way across the province introducing herself to dairy farmers and conducting farm visits, while also organizing regional workshops and educational events based on requests from farmers.

Morgan has an extensive background in dairy farm management and animal care, which she draws on extensively in this important work.

During farm visits Morgan also gathers any input or concerns farmers would like to communicate back to BC Dairy.

What Producer Support can offer:

- proAction help (pre/post validation)
- Dairytrace help – on farm support
- Mock Cattle Assessments
- Cow Signals Program
- Benchmarking
- Hosting educational events based on producer feedback
- Help with funding opportunities
- Help connecting with industry experts
- Dairy Code of Practice – On-farm implementation

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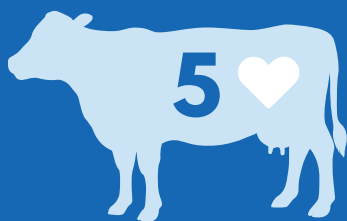
I enjoy hearing the producer's story, telling me about their unique operations, future aspirations, and current challenges. In some circumstances, I then draw on my own experience and what I've seen on other farms to offer practical solutions or options that can be implemented at the farm level. I've helped farmers get ready for proAction audits, work through proAction audit reports, and address any animal care questions. Our goal is to collaborate and support all farmers in every region of BC.

Morgan Sangster,
Producer Support Manager

By the numbers:



farm visits



**animal care workshops
throughout our province**

(Island, Bulkley Valley, Creston,
Fraser Valley, Okanagan)



Worked with Alberta Milk to organize
5 Animal care workshops in that province –
a Western Milk Pool collaboration

Government advocacy

Government regulation, tax, and policy has enormous impacts on farmers – impacting everything from irrigation water access to the cost of fuel. Ensuring all levels of government understand dairy farming's role in local food security, what dairy farmers need from government in order to maintain a viable business, and the impact of new regulations and costs remains a top priority for BC Dairy.

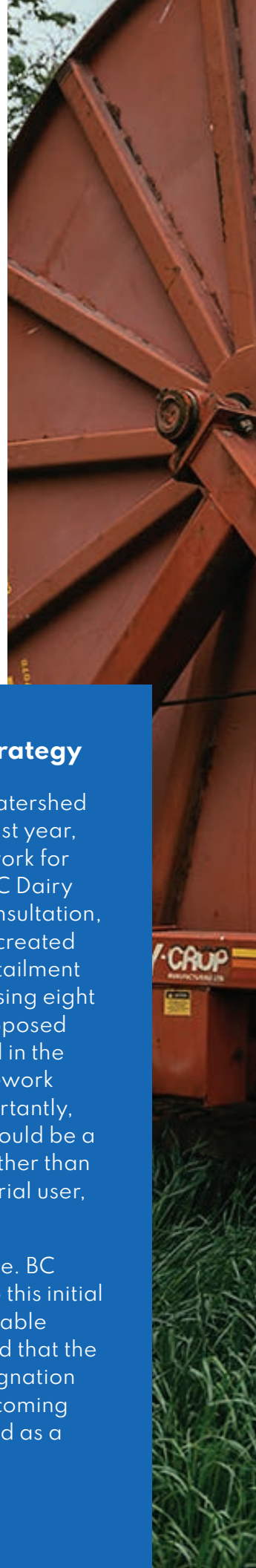
This year we:

- Continued to advocate for investment in flood mitigation, resiliency and protection measures on the Sumas Prairie and other regions;
- Worked with the province and federal government to understand and address drought and other climate change impacts;
- Ensured dairy farmers are represented on the province's animal welfare framework review;
- Published a business cost report detailing the cost of farming in BC, and met with the new BC agriculture minister and her staff about the report (see next page for more detail);
- Continued to advocate for reliable irrigation water access (see adjacent for more detail);
- Worked with local and provincial governments to make improvements in notification and permitting processes for agriculture during wildfire and other natural disaster emergencies;
- Identified dairy farmers to sit on government committees, host tours, and participate in research.

Watershed Security Strategy

The province launched a Watershed Security Strategy process last year, aimed at creating a framework for managing water scarcity. BC Dairy participated in the initial consultation, highlighting the challenges created by agriculture irrigation curtailment in drought years and proposing eight solutions. Several of our proposed solutions were incorporated in the province's initial draft framework published this spring – importantly, including that agriculture should be a distinct water user group rather than be categorized as an industrial user, along with other industries.

There's a lot more to be done. BC Dairy recently responded to this initial draft, advocating for predictable agricultural water policy and that the agricultural water user designation be far more detailed in the coming revised draft and established as a priority user group.





Business Cost Study

BC Dairy recently developed a report detailing the business costs for dairy production in this province. The data confirmed what we knew anecdotally - costs have risen faster and higher in BC than in other parts of Canada. On average, BC dairy farmers lost money in 2021, and the situation worsened in 2022.

Numerous factors are driving this. Multiple natural disasters over three years contributed to poor growing conditions, lost feed, and increased transportation costs, while damaging existing infrastructure and necessitating investment in new infrastructure such as irrigation and barn cooling systems. Rising interest rates increased the cost of servicing the debt required for those investments. The cost of feed rose almost 35 per cent from 2021 - 2022, fuel 33.5 per cent.

Ongoing losses aren't sustainable for any business. To ensure dairy farming remains attractive to the next generation of producers we must find solutions that ensure farming is profitable and can support the investments required to modernize operations, meet sustainability goals, and continue producing local food.

BC Dairy is actively engaged with the province to ensure they are aware of the challenges we're facing and working with us to find solutions that decrease costs of regulation and taxation. The BC Agriculture Council is raising similar issues of rising production costs impacting all agriculture in the province. Nationally, the Canadian Federation of Agriculture is advocating with the federal government.

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, 2023
- the statement of earnings 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, 2023 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, 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 26, 2023

Statement of Financial Position

July 31, 2023, with comparative information for 2022

	2023	2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 889,415	\$ 1,393,450
Contributions and accounts receivable (note 2)	2,814,786	2,048,525
Prepaid expenses	486,409	575,160
Promotion and nutrition project supplies	69,350	71,375
	<u>4,259,960</u>	<u>4,088,510</u>
Capital assets (note 3)	47,408	91,303
	<u>\$ 4,307,368</u>	<u>\$ 4,179,813</u>

Liabilities

Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 1,466,632	\$ 1,478,624
Deferred contributions (note 5)	84,375	130,275
	<u>1,551,007</u>	<u>1,608,899</u>
Net assets:		
Unrestricted net assets	2,342,567	2,156,506
Invested in capital assets	47,408	91,303
Internally restricted (note 6)	366,386	323,105
	<u>2,756,361</u>	<u>2,570,914</u>
Commitments (note 7)		
	<u>\$ 4,307,368</u>	<u>\$ 4,179,813</u>

See accompanying notes to financial statements.

Approved on behalf of the Association:


 Member


 Member

Statement of Earnings

Year ended July 31, 2023, with comparative information for 2022

	2023	2022
Revenue:		
Contributions from DIDC	\$ 14,700,000	\$ 11,800,000
Contributions from dairy producers	116,563	122,484
Recoveries and other contributions	486,026	120,439
Interest	64,104	19,660
	15,366,693	12,062,583
Expenses:		
Operations (Schedule A):		
Contributions to other organizations	4,776,256	4,662,584
General overhead and labour	3,715,142	3,209,249
Projects and Initiatives (Schedule B):		
Market Development	5,686,065	4,122,308
Producer and public affairs	878,196	354,151
Research and innovation	125,587	115,218
	15,181,246	12,463,510
Excess (deficiency) of revenues over expenses	\$ 185,447	\$ (400,927)

See accompanying notes to financial statements.

Statement of Changes in Net Assets

Year ended July 31, 2023, with comparative information for 2022

	Unrestricted	Invested in capital assets	Internally restricted	Total 2023	Total 2022
Balance, beginning of year	\$ 2,156,506	\$ 91,303	\$ 323,105	\$ 2,570,914	\$ 2,971,841
Excess (deficiency) of revenues over expenses	238,636	(53,189)	-	185,447	(400,927)
Net change in invested in capital assets	(9,294)	9,294	-	-	-
Transfer of funds (note 6)	(43,281)	-	43,281	-	-
Balance, end of year	\$ 2,342,567	\$ 47,408	\$ 366,386	\$ 2,756,361	\$ 2,570,914

See accompanying notes to financial statements.

Statement of Cash Flows

Year ended July 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in):		
Operations:		
Cash received for contributions and recoveries	\$ 14,490,428	\$ 11,676,121
Cash received for interest	64,104	19,660
Cash paid for labour, materials and services	(15,049,273)	(11,516,072)
	(494,741)	179,709
Investing:		
Purchase of capital assets	(9,294)	(14,348)
Increase (decrease) in cash and cash equivalents	(504,035)	165,361
Cash and cash equivalents, beginning of year	1,393,450	1,228,089
Cash and cash equivalents, end of year	\$ 889,415	\$ 1,393,450

See accompanying notes to financial statements.

Notes to Financial Statements

Year ended July 31, 2023

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) 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.

(b) 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.

(c) 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.

(d) 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.

(e) 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.

(f) 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.

2. Contributions and accounts receivable:

	2023	2022
Receivable from Dairy Industry Development Council, a related party	\$ 2,336,330	\$ 2,012,484
Other contributions and accounts receivable	478,456	36,041
	\$ 2,814,786	\$ 2,048,525

There are no allowances for doubtful accounts.

3. Capital assets:

			2023	2022
	Cost	Accumulated amortization	Net book value	Net book value
Computer equipment	\$ 97,145	\$ 89,301	\$ 7,844	\$ 16,592
Furniture and fixtures	160,860	140,022	20,838	35,068
Vehicles	199,282	182,748	16,534	33,068
Leasehold improvements	284,861	282,669	2,192	6,575
	\$ 742,148	\$ 694,740	\$ 47,408	\$ 91,303

4. Accounts payable and accrued liabilities:

	2023	2022
Payable to suppliers for supplies and services	\$ 1,381,903	\$ 1,315,768
Accrued liabilities include amounts payable to/on behalf of employees for wages and benefits	84,686	140,529
Payable to Receiver General for GST and source deductions	43	22,327
	\$ 1,466,632	\$ 1,478,624

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:

	2023	2022
Deferred contributions, beginning of year	\$ 130,275	\$ 24,375
Add: amounts received for programs	112,500	158,400
Less: amounts recognized as revenue in the year	(158,400)	(52,500)
Deferred contributions, end of year	\$ 84,375	\$ 130,275

Deferred contribution balances relate to:

	2023	2022
CIDC/BCIDF	\$ 84,375	\$ 84,375
Emergency Response Plan for Natural Disasters	-	25,000
B.C. Dairy Conference sponsorships	-	20,900
	\$ 84,375	\$ 130,275

6. Internally restricted net assets:

The Association collects penalties from dairy producers to fund research and education projects. During the year, the Association collected \$116,563 (2022 - \$122,484) from producers, contributed \$3,437 (2022 - \$nil) from unrestricted funds and spent \$76,719 (2022 - \$75,568) on projects. At year-end, the balance in the dairy industry research and education fund was \$366,386 (2022 - \$323,105).

7. Commitments:

The Association has commitments under operating leases for certain locations which expire in January 2024 and require minimum monthly payments of \$8,534.

The Association entered a new office lease for ten years, commencing in June 2024. The lease requires a minimum monthly payment of \$16,733 in the first year. This payment increases to \$17,022 for the following years. The Association has entered into a cost sharing arrangement for 50% of the office lease costs.

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 \$14,816,563 (2022 - \$11,922,484) to the Association. At July 31, 2023, \$2,336,330 (2022 - \$2,012,484) 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, 2022. The Council's complete financial statements are available to members upon request.

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

	2022	2021
Financial position as at December 31		
Total assets	\$ 11,444,251	\$ 7,653,126
Liabilities and Net Assets:		
Total liabilities	\$ 1,624,862	\$ 105,249
Total net assets	9,819,389	7,547,877
	\$ 11,444,251	\$ 7,653,126
Results of operations year ended December 31		
Total revenues	\$ 14,650,007	\$ 15,238,378
Expenses: ⁽¹⁾		
Milk promotion	12,000,000	16,075,000
Administration, audit and legal	109,210	135,735
Membership dues	89,297	133,391
Research and education	179,988	81,324
	12,378,495	16,425,450
Excess (deficiency) of revenues over expenses	\$ 2,271,512	\$ (1,187,072)
Cash flows year ended December 31		
Cash flows from operating activities	\$ 3,770,926	\$ (1,077,715)
Investing	(3,517,600)	(1,128,329)
Increase (decrease) in cash	\$ 253,326	\$ (2,206,044)

⁽¹⁾ Total expenses include contributions of \$12,378,495 (2021 - \$16,156,323) 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.

Schedules of Expenses

Year ended July 31, 2023, with comparative information for 2022

Schedule A - Operations

	2023	2022
Contributions to other organizations:		
Dairy Farmers of Canada	\$ 4,572,841	\$ 4,459,776
Regional organizations	121,426	123,957
BC Agricultural Council	81,989	78,851
	<u>\$ 4,776,256</u>	<u>\$ 4,662,584</u>
Labour expenses:		
Salary and wages	\$ 1,480,593	\$ 1,643,498
Employee benefits, supplies, and payroll taxes	231,434	297,381
Employee professional dues, development and recognition	46,391	53,288
Labour subcontracts	123,883	52,720
Human resources and recruiting	103,980	18,452
	<u>1,986,281</u>	<u>2,065,339</u>
Operating expenses:		
Professional fees and consulting	541,358	336,098
Rent and office expenses	193,232	183,836
Directors' fees	202,027	172,802
Travel of staff and directors	284,903	118,112
Audit, accounting, and legal	169,144	102,120
Information technology	132,941	86,699
Amortization	53,189	55,369
Conferences and meetings	105,119	42,305
Insurance	12,956	15,374
Entertainment, hospitality, gifts and donations	17,508	14,094
Telephone and communications	7,619	7,603
Interest and bank charges	4,955	6,303
Postage and couriers	4,210	3,195
Gain on disposal of capital assets	(300)	-
	<u>1,728,861</u>	<u>1,143,910</u>
	<u>\$ 3,715,142</u>	<u>\$ 3,209,249</u>

Schedules of Expenses (continued)

Year ended July 31, 2023, with comparative information for 2022

Schedule B - Projects and Initiatives

	2023	2022
Market development:		
Marketing programs	\$ 4,708,898	\$ 3,871,338
Community engagement	519,621	110,180
Nutrition and dairy education	457,546	140,790
	5,686,065	4,122,308
Producer and public affairs:		
Dairy business health	318,161	302,601
Public affairs	374,165	28,163
Producer engagement	185,870	23,387
	878,196	354,151
Research and innovation	125,587	115,218
	\$ 6,689,848	\$ 4,591,677

Year ended July 31, 2023, with comparative information for 2022

Schedule C - Costs by business area

	Administration	Market Development	Producer and Public Affairs	2023	2022
Contributions to other organizations	\$ 4,776,256	\$ -	\$ -	\$ 4,776,256	\$ 4,662,584
Labour expenses	824,768	575,449	586,064	1,986,281	2,065,339
Operating expenses	1,592,081	64,232	72,548	1,728,861	1,143,910
	7,193,105	639,681	658,612	8,491,398	7,871,833
Project and initiative based expenses	-	5,686,065	1,003,783	6,689,848	4,591,677
	\$ 7,193,105	\$ 6,325,746	\$ 1,662,395	\$ 15,181,246	\$ 12,463,510



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