

Livestock Financial Protection Board
2021-22 Annual Report

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Message from the Chair

As the Chair, newly appointed in April 2022, and on behalf of the Livestock Financial Protection Board (LFPB or Board), I am pleased to present to you the Board's Annual Report describing the work for the year ending March 31, 2022.

As a Board, we continue to focus on administering the Fund for Livestock Producers (Fund); investigating claims; granting or refusing the payment of all claims and recovering any money to which the Board is entitled. As the Fund administrator, one of our goals is to ensure long-term sustainability of the Fund. Once again, the Fund's investment strategy helped with the Fund maintaining both a healthy and stable funding ratio, considering the low interest rates.

The following are some highlights for the 2021-22 fiscal year:

- The Fund remained actuarially sound with a balance of \$8.944 million (\$2.844 million above the 2015/16 actuarial review target of \$6.10 million);
- Investment income of \$266,763;
- Rate of return on investment of 3.62%;
- Continued to work with OMAFRA to support the financial protection programs review and to identify opportunities to ensure that livestock producers and licensed dealers have access to stable risk management tools.
- Continued to work with the Ministry and Agricorp on the transition of the delivery of the program to Agricorp.

In 2021-22, the Board received four claim applications regarding non-payment from licensed dealers. Three claim applications received were withdrawn by the producer (seller) as payment was received. These required no investigation and no discussion or adjudication from the Board. One claim was sent for investigation and the Board reviewed, discussed the claim presented and decision letters were sent to the claimant (seller) and defaulter (buyer). A payment of \$107,617 was paid out of the Fund in 2021-22 to this claimant. See Appendix 1 for more details.

The Board conducted an actuarial review in 2021-22 fiscal; it is in-line with good governance practice to complete a review approximately every five years. The last review occurred in 2015-16 fiscal. This initiative involved a third-party vendor to determine how potential claim payments and/or expenditures may impact the Fund. Given the changes in the cost-share model that occurred in 2020 and the increased program delivery costs coming out of the Fund, 2021-22 fiscal was a good time for an actuarial review to examine any impact to the Fund. It is also outlined in the MOU as a requirement that the agency must periodically undertake an actuarial review. The results from this actuarial review were reviewed by the Board in March 2022 and discussed with stakeholders. The Board is targeting 2022-23 fiscal to make recommendations to the Minister on the overall soundness of the Fund, if needed. Any recommendations from this report will be considered for the 2023-26 business planning cycle. The next actuarial review is planned for 2026-27 fiscal year.

Throughout 2021-22, the Board continued to work with the Minister of Agriculture, Food and Rural Affairs on appointing members to the Board. Two new members were appointed for 3-year terms and three existing members, including the Vice-Chair, were reappointed to the Board for additional 3-year terms. The previous Chair had informed the Minister that he would complete his term as Chair and would not seek reappointment. His term expired March 31, 2022. He previously planned to end his tenure as Chair in 2019, but after discussions with the Ministry, served for another three-year period to support the transition of the delivery of the Ontario Beef Cattle Financial Protection Program from the previous vendor (Beef Inc.) to Agricorp in early 2019. As the existing Vice-Chair, I was recommended to the Minister to be considered for appointment as Chair to the Board, in part to ensure continuity within the Board (see Page 7 1 for a list of Board members and terms for the 2021-22 fiscal year). The Ministry posted an advertisement for the Chair position on the Public Appointment Secretariat (PAS) website for two-weeks in January 2022 as an

opportunity for individuals to apply. Following this posting, the Minister appointed me as Board Chair effective April 1, 2022. Concurrently, my appointment as Vice-Chair was revoked effective April 1, 2022.

The Board will continue to submit recommendations to the Minister for consideration for any upcoming vacancies and will work actively to fill any in a timely manner. By continuing to work collaboratively with the Ministry, the Board will remain effective in its operations and ensure that appropriate governance is in place to fulfill its mandate.

The Board will also continue to focus on ensuring the sustainability of the Fund and integrity of the program.

Respectfully submitted,

Paul Sharpe

Chair, Livestock Financial Protection Board

Governance

The LFPB is classified as a Board-Governed Provincial Agency (Trust) under the Agencies & *Appointments Directive* (AAD) as it “administers funds or other assets for beneficiaries named under statute”.

The Board operates at arm’s-length from the Government but is accountable to the Government in exercising its mandate. The Board members are accountable to the Minister of Agriculture, Food and Rural Affairs (the Minister), through the Chair, for setting goals, objectives, and the strategic direction. The Board operates under the authority of the FPPA, *Ontario Regulations 560/93: Fund for Livestock Producers* and *467/19: Boards’ Payment of Expenses* and in accordance with the Memorandum of Understanding (MOU) between the Minister and the Chair.

The Board is the administrator of the Fund and is ultimately responsible for its management and administration including investigating and adjudicating claims under the program, collecting fees for the program and recovering any money it is entitled under the Act.

Memorandum of Understanding (MOU)

A MOU reflects the relationship between the Board and Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA or Ministry) and establishes the accountability framework between the Minister and the Chair. The MOU outlines the responsibilities between the Minister, the Chair, the Deputy Minister and the Board as well the administrative, financial, and auditing arrangements with OMAFRA.

In December 2021, the Chair and Minister renewed the use of the existing MOU. The MOU is effective until it is revoked or the parties sign a new MOU.

About the Board

Mandate of Board

The Board is responsible to the Minister and is constituted under the authority of the FPPA and its regulations:

- *Ontario Regulation 560/93 (Fund for Livestock Producers)*
- *Ontario Regulation 321/11 (Fees Payable to Boards)*
- *Ontario Regulation 467/19 (Boards' Payment of Expenses)*

The Board's legislative mandate is set out in subsection 4(1) of the FPPA as follows:

It is the function of a board and it has power,

- a) to administer its Fund;*
- b) to investigate all claims made to it under the FPPA and to determine the extent of their validity;*
- c) to grant or refuse the payment of all claims or any part thereof and determine the amounts and manner of payment;*
- d) to recover any money to which it is entitled under the FPPA by suit in a court of competent jurisdiction or otherwise; and*
- e) to carry out the functions, and exercise the powers, prescribed by regulation.*

Minister's Mandate Letter

As part of the process under the AAD, the Minister issues an agency mandate letter to the Chairs of all board-governed agencies on an annual basis to inform their business plans. In December 2020, the Board Chair received the mandate letter from the Minister of Agriculture, Food and Rural Affairs, which outlined high-level, achievable expectations for 2021-22 fiscal year as follows:

- Ensure long-term sustainability and effective oversight of the Fund, including risk management and expenditure management.
- Support transparency and accountability by meeting all AAD provisions and requirements (i.e. agency attestation).
- Continue to support improved customer service by communicating and reporting the performance of the Fund to stakeholders.
- Continue to investigate and adjudicate claims in a fair and equitable manner.
- Continue to support the Ministry's review of the financial protection programs to ensure they are aligned with the current agricultural risk management landscape and sector trends.

The Board has aligned its priorities and strategic approach to support the Minister's mandate.

- Annually measure and communicate to stakeholders the performance of the Fund against established targets.
- Ensure the processing of claims is completed fairly and with minimal delays.
- Work with OMAFRA to support the financial protection program review and to identify opportunities to ensure that livestock producers and dealers have access to stable risk management tools.
- Meet all AAD provisions and requirements (i.e. agency attestation).
- Continue to support the Ministry and Agricornp with the transition of the delivery of the Program to Agricornp.

Board structure

Amendments to *O. Reg. 560/93: Fund for Livestock Producers* became effective January 1, 2020. These include providing the Board with greater flexibility around quorum by removing quorum requirements from the regulation; and ensuring the Board composition better reflects the needs of the sector by removing the requirement that the Canadian Meat Council (CMC) be represented by a member.

The regulation does state that the Board shall be comprised of at least five members: one member representing the Beef Farmers of Ontario (BFO); one member representing the operators of community sales under the *Livestock Community Sales Act*; and other members as the Minister considers advisable. By convention, there has been one member from the Ontario Livestock Dealers Association (OLDA), one member from Meat & Poultry Ontario (formerly Ontario Independent Meat Processors), one member from the Dairy Farmers of Ontario (DFO), one member from the Veal Farmers of Ontario (VFO) and there has also been one additional member from the BFO.

The Chair, Vice Chair and member positions are filled by appointment by the Minister for terms up to three years, with reappointments possible.

These individuals, in addition to administering the Fund, draw upon their expertise in the livestock industry in hearing and adjudicating cases before them. The Board may also call upon technical experts and professionals to provide assistance. The Board is made up of industry representatives from a wide range of the livestock industry sectors. This broad industry knowledge is important in understanding the clientele and the claim files.

Two new members were appointed for 3-year terms and three existing members, including the Vice-Chair, were reappointed to the Board for additional 3-year terms. As of March 31, 2022, there were seven active, part-time members, including the Chair and Vice-Chair. The table below shows the appointed members and the term of their appointments.

Looking ahead, the Board has submitted recommendations to the Minister for consideration for upcoming vacancies and will work with the Minister throughout the year on appointing members to the Board.

Listed below are the appointees for the fiscal year 2021-22 (as of March 31, 2022).

Position	Member name	Organization	Tenure
Chair	LARRY WITZEL	Ontario Livestock Auction Markets Association	17-Apr-2007 – 31-Mar-2022 (Term expired March 2022)
Vice Chair	PAUL SHARPE	Beef Farmers of Ontario	02-Dec-2017 – 28-Feb-2025 (Appointed as Chair effective April 2022)
Member	JENNIFER HALEY	Veal Farmers of Ontario	06-Oct-2008 – 05-Oct-2024 (reappointed in 2021-22 for 3 year term)
Member	HOWARD GREIG	Ontario Livestock Dealer's Association	06-Mar-2019 – 05-Mar-2025 (reappointed in 2021-22 for a 3 year term)
Member	BLAIR WILLIAMSON	Beef Farmers of Ontario	28-Feb-2020 – 27-Feb-2023
Member	DON GORDON	Dairy Farmers of Ontario	17-June-2021 – 16-June-2024 (New member since June 2021)
Member	DAPHNE NUYS-HALL	Meat & Poultry Ontario	13-Dec-2021 – 12-Dec-2024 (New member since December 2021)

Board staff/ support

The Board does not have staff. Since January 1, 2019, the Board has entered into a service agreement with Agricorp for governance, secretariat and financial services support to the Board to adjudicate claims, which includes coordination, attendance of board meeting and preparing draft documents. Other services include assisting the Board in preparing its annual report, business plan and other documentation required for compliance with the MOU and the AAD. The current agreement is effective until March 31, 2023.

As part of the financial services support to the Board, Agricorp is the investment manager for the Fund. As the investment manager of the Fund, Agricorp finance staff investigate investment options and prepare formal proposals and recommendations for the Board's consideration. Proposals are made considering the Board's current investment policy and the direction as outlined in the MOU. The LFPB directs Agricorp finance staff to execute investment decisions.

Agricorp staff that provide these services to the Board are not involved in the review and licensing of livestock dealers or the inspection components of the program. These functions are separate to avoid any perception of a possible conflict of interest when supporting the Board in its adjudicating of claims that arise, while protecting the integrity of the Program.

Legal and inspection services

A Minister's regulation (*O. Reg. 467/19: Boards' Payment of Expenses*) made under the FPPA requires the Board to pay investigative and most of the legal costs (except costs related to any judicial reviews by the Divisional Court of the Board's decisions on claims and any appeals beyond) from the Fund (these previously had been covered by the Ministry). The Board continues to use the Ministry to support its legal and investigative services.

Legal services are provided by OMAFRA through the Ministry of the Attorney General, Legal Services Branch. The assigned lawyer provides the Board with confidential advice regarding agreements, claims, any judicial reviews of Board decisions, and regarding the recovery of monies owed to the Board, and also contributes to the continuing education of Board members on claims adjudication.

OMAFRA's Regulatory Compliance Unit provides the Board with Compliance and Advisory Officers (inspection staff) for the Board upon request.

As well, as of January 1, 2020, as part of the new Minister's regulation, *O. Reg. 467/19: Boards' Payment of Expenses*, made under the *Farm Products Payments Act* (FPPA), the Board is responsible to pay for all expenses relating to the administration of both the FPPA (expenses related to fund management and claims adjudication) and the *Livestock and Livestock Products Act (LLPA)* (expenses relating to licencing and enforcement). These expenses are reflected in this annual report.

Operational performance and activities

The Board's activities are geared towards fulfilling its mandate. There were four Board meetings in the 2021-22 fiscal year held via conference call.

The Office of the Auditor General conducts an annual audit of the accounts and financial transactions of the Board. The audit of the 2021-22 fiscal year was completed in December 2022 with an unqualified opinion. The Fund for Livestock Producers continues to meet the minimum target balance as outlined in the 2015 actuarial report.

Administer the Fund for Livestock Producers

The key activity of the Board is for overall governance and administration of the Fund as established under the FPPA, including oversight and management of the Fund's investments to ensure financial

compensation is available for livestock producers and licensed dealers when required.

All income in the Fund comes from check-off fees, investment income and monies recovered after the payment of claims. Contribution of check-off fees to the Fund is mandatory and is based on a fixed rate per head of livestock in a transaction. Under *O. Reg. 321/ 11: Fees Payable to Boards*, a fee of ten cents per head of cattle sold is payable to the Board, unless the sale is on consignment, in which case the ten cent fee is owed by each of the consignee and consignor.

Fees are self-reported and remitted by the buying dealer on behalf of the producer when the sale is made directly by a producer, by the selling dealer when the sale is by a dealer, and by the consignee on behalf of the consignor and on their own behalf, where the sale is on consignment. Fees are payable on or before the 15th day of the month following the month of sale unless less than 1,000 head are sold or purchased annually, in which case the fee is payable annually.

The Fund is used to:

- Provide compensation to qualified sellers in the event that certain buyers default on their payment obligation (pay approved claims under *O. Reg. 560/93*);
- Pay all expenses relating to the administration costs of the licensing of dealers under the *Livestock and Livestock Products Act* (LLPA) with respect to the delivery of the Program effective January 1, 2020 (except expenses related to appeals to the Agriculture, Food and Rural Affairs Appeal Tribunal; judicial reviews or expenses related to any subsequent appeals under the LLPA; and expenses incurred by the Ministry to administer the LLPA);
- Pay for investigation and most legal fees associated with the adjudication of claims;
- Pay for professional, technical or other assistance to or on behalf of the Board (e.g. actuarial review).

The Fund is not used for Board member remuneration as this is provided by the Ministry as Board members are considered public servants employed under Part III of the *Public Service of Ontario Act, 2006*.

Transition from previous vendor to Agricorp for program delivery

Since January 2019, Agricorp has been delivering certain aspect of the Program. There are certain aspects that still need to be transitioned from OMAFRA's Animal Health and Welfare Branch (AHWB) to Agricorp. As part of the Program delivery, Agricorp and OMAFRA have a phased approach to transition the Program. Currently, OMAFRA's Director in AHWB is appointed the LLPA Director with authority for licensing. Agricorp is assisting with the licensing components for determining financial responsibility of dealers based on a financial assessment. Both parties are collaborating on processes during this phase. Agricorp and OMAFRA are in planning discussions to transition the Program services that are currently provided by OMAFRA's AHWB to Agricorp. The transition work was paused in 2020 as Agricorp and OMAFRA staff focused their efforts on supporting the government's and Agricorp's COVID-19 response but resumed in 2021-22 with a target of implementation of all Program activities for the start of next fiscal onward, beginning April 1, 2022.

Agricorp, the AHWB and the Farm Finance Branch (FFB) meet regularly to coordinate the operational activities of the OBCFPP and have leveraged this meeting to keep informed on transition planning and provide updates to the Board. Currently, costs incurred by AHWB for their administrative activities for licensing (e.g. development, distribution and capture of renewals), key communications channels (e.g. web site and list of licensed dealers), compliance/enforcement, inspection and Program oversight (e.g. LLPA Director) are not included in the program administration costs and are being covered by OMAFRA. The Board has an agreement with Agricorp and OMAFRA for the delivery of the Program.

The implementation of the Program transition began November 2021. At the March 1, 2022 Board meeting, an update on the implementation of the transition activities was presented. The FFB Director informed the Board that any one-time transition costs to transition the remaining Program activities to Agricorp be billed to the Program/ Board which is reflected in the actual expenses for 2021-22 fiscal.

Program activities that have transitioned from the Ministry to AgriCorp to date include: administrative tasks for licensing (e.g. development, distribution and capture of renewals and check-off forms), key communications channels (e.g. web site and list of licensed dealers), implement quarterly program updates for OMAFRA and stakeholders, and preparation to move the responsibilities and for the Minister to appoint an AgriCorp Director to the LLPA Director role.

Previously, Ontario Beef Cattle Financial Protection Program Inc. (Beef Inc.) provided OMAFRA and the Board with assistance in administering the licensing component of the Program and provided the Board with fund investment, administrative and adjudication support.

Actuarial review

In 2021-22 fiscal, the Board conducted an actuarial review. It is a good governance practice to complete a review approximately every five years. This initiative involved a third-party vendor to determine how potential claim payments and/or expenditures may impact the Fund. Given the changes in the cost-share model that occurred in 2020 and the increased program delivery costs coming out of the Fund, 2021-22 fiscal was a good time for an actuarial review to examine any impact to the Fund. The last review occurred in 2015-16 fiscal. The Board reviewed a draft report in March 2022. Recommendations and next steps will be considered for the 2022-23 fiscal year including sharing the results with stakeholders and making recommendations to the Minister on the overall soundness of the Fund, if needed. This cost was included as an expense in the budget. It is assumed that the next actuarial review would be planned for the 2026-27 fiscal.

Financial Protection Programs Review

In the April 11, 2019 provincial budget updates to the financial protection programs were announced and changes to the FPPA through Bill 100, Protecting What Matters Most Act (Budget Measures), 2019, were introduced. The budget committed the government to a review of the financial protection programs to ensure that beef cattle (and grain) producers and licensed livestock dealers have access to stable risk management tools that provide the confidence to invest in and grow their businesses.

The Ministry is using a phased approach for the review to assess opportunities to update the Beef Cattle Financial Protection Program and the Grain Financial Protection Program to reduce burden to stakeholders, seek efficiencies and align the programs, while maintaining the programs' proven effectiveness at managing risk. These discussions began in 2019 and were put on-hold for most of 2020 due to COVID-19. They resumed in the early 2021 and the Ministry is working on a comprehensive package of legislative changes based on feedback received from the Board and stakeholders. OMAFRA's FFB is the lead and is keeping the Board and stakeholders informed on the status. The Board continues to support the Ministry's review of the Financial Protection Programs by participating in consultations which are used to inform the development of potential changes and how these potential changes may impact to the Fund.

Claim investigation and adjudication

The process begins when the seller files a claim application with the Board or indicates an intention to file a claim.

Upon receiving a claim application, the Board may choose to seek investigation services from OMAFRA's Regulatory Compliance Unit (RCU) to complete an investigation into the claim and collect the pertinent information and documents relating to the claim from the claimant, the purchaser or other parties. This is then used so the Board can make an informed and impartial decision. When the investigation is completed, a report is made and presented to the Board to review and make a decision regarding payment from the Fund. The Board may offer an opportunity for the parties to make submissions or attend a hearing before making its final decision.

The Board determines the payment, if any, to be made from the Fund.

- If the Board decides that a claim from a producer made in respect of a dealer is valid, the Board pays 95 percent of the portion of the claim that it recognizes as valid.

- Where an approved claim relates to a licensed dealer selling to a producer or feeder cattle finance co-operative who defaults on payment, compensation is 85 per cent of the portion of the claim that the Board recognizes as valid, up to a maximum of \$125,000. In these cases, there is no compensation for claims of less than \$5,000. Where an approved claim relates to a licensed dealer selling to another licensed dealer, the Board pays 95 percent of the portion of the claim that it recognizes as valid.

The Board works to adjudicate cases within 60 days upon receiving the file from the investigator. Where a hearing is held, it may take longer to make a decision. After the claims adjudication process is completed, the Board sends a decision letter to the claimant and buyer. Claim decisions are based on the Board reviewing the claim application, the inspection report, any further submissions or testimony and in consideration of the FPPA and *O. Reg. 560/93: Fund for Livestock Producers*.

In 2021-22, the Board received four claim applications regarding non-payment from licensed dealers, however, three were withdrawn by the producer (seller) as payment was received and no investigation and no discussion or adjudication from the Board was required. One claim was sent for investigation and the Board reviewed and discussed the claim and the presented report and decision letters were sent to the claimant (seller) and defaulter (buyer). A payment of \$107,617 was made to this claimant from the Fund in 2021-22. The Board was able to recover a portion of this payment to the Fund and is working with legal services on further debt recovery efforts. See Appendix 1 for more details. Prior to the claim being discussed, the Board members received an overview/ refresher of claim adjudication of their role, authority and guidelines as it relates to claims.

Recovery of Money Owed

The FPPA enables the Board to attempt to recover any money to which the Board is entitled through a court action or otherwise. The Board, through legal counsel and the LLPA Director, work to recover money owed to the Fund. (See Appendix 2 for recovery history). The Board has a recovery policy to make every reasonable attempt to recover monies that is owed to the Fund. Its objectives are to recover as much outstanding debt as is reasonably achievable using a variety of tools and options.

In 2021-22, the Board recovered a total of \$130,000 which was owed to the Fund due to the payment of two claims. The Board was able to recover \$50,000 regarding a claim paid out in 2021-22 from financial security that the Director under the LLPA held. As well through debt recovery efforts and legal counsel services, the Board was able to recovery \$80,000 through settlement of an action launched regarding a claim paid out in the 2014 calendar year. The Board will continue to attempt to recover monies that are owed to the Fund due to claims being paid from the Fund.

Analysis of financial performance

The Office of the Auditor General of Ontario conducts an annual audit of the Board's financial statements. The audit for the 2021-22 fiscal year was completed in December 2022. The LFPB's fiscal year is April 1 to March 31.

Fund Performance and Investments

The balance of the Fund at the beginning of the fiscal year was \$8.657 million and at the end of fiscal year 2021-22 it was \$8.944 million, an increase of \$287,000. There was a payout from the Fund for a claim of \$107,617 and recovery of \$130,000. (See Appendix 3: Audited Financial Statements).

Investment income is one important source of revenue for the Fund. The Board is responsible for the prudent management of the Fund's investments and is required to invest the Fund in accordance with the principles in sections 26, 27, 27.1 and 27.2 of the *Trustee Act*.

The Board has an investment policy that outlines general investment goals and objectives of the Board and describes the strategies for investment of the Fund. The policy aligns with the guidelines set out in the MOU, which incorporates sections of the *Trustee Act*. Under the MOU, the Board must review the investment policy at least annually and amend it as required. Additionally, the investment policy must be reviewed by an actuary as part of any actuarial review to ensure it remains relevant to the prevailing and forecasted nature of the Fund's liabilities. Due to the transition from the previous vendor to Agricorp, an annual review of the investment policy did not occur in 2021-22 fiscal year, however a review is being planned for 2022-23 fiscal year. The investment policy also notes that First Mortgage Investments must be on high quality assets with a loan to value ratio of no more than 65%.

The Board's asset mix currently includes investments that guarantee face value at redemption; generally, this includes Guaranteed Investment Certificates (GICs) issued by financial institution or similar financial instruments.

The Bank of Canada's policy interest rate dropped in March 2020 to 0.25% and remained unchanged until March 2022, when the rate increased from 0.25% to 0.5%. The policy rate is expected to increase through fiscal 2023. The impact of these rate increases will not be reflected immediately in the Board's investments as the Board uses a laddering strategy to reduce the influence of interest changes and to maximize returns.

The Board's investments include Guaranteed Investment Certificates (GICs) and a \$4 million first mortgage on development land in in the Regional Municipality of Waterloo. The current agreement has \$4 million principal earning 5% interest paid semi-annually. This mortgage investment is currently set to mature December 10, 2022. The Board is in discussion with the investor on potential options to renew this investment. Overall, the rate of return for fiscal 2023 is expected to remain at the same rate as fiscal 2022 or slightly improve, depending on the potential renewal rate for the mortgage.

The interest earned on investments in 2021-22 are providing a lower rate of return by 14 basis points or 4% compared to the previous fiscal year. The average return on investment in 2021-2022 was 3.62% as compared to 3.76% in 2020-21. Although the Board uses a laddering strategy to reduce the influence of interest changes and to maximize returns, the low interest rates are having an impact on the overall health of the Fund.

Revenue

The amount of money earned by the Fund from check-off fees was \$203,190 for 2021-22 fiscal year compared to \$191,930 for the 2020-21 fiscal year.

Interest income on investments totaled \$266,763 for the 2021-22 fiscal year. In 2020-21, investment income was \$277,077. The small decrease from last year was due to lower interest rates on GICs.

Total revenue for 2021-22 was \$469,953 (excluding any claim recovery), compared to \$469,077 in 2020-21. The Fund continues to maintain the minimum target Fund balance as per the 2015-16 actuarial review. The Board will continue to monitor the growth of the Fund to ensure it continues to meet the target.

Expenses

As of January 1, 2020, the Board has been paying for all expenses relating to the administration of the program under the LLPA (licensing and enforcement) and the FPPA (fund management, claims adjudication and payment of claims) from the Fund as part of the new Minister's Regulation (*O. Reg. 467/19*) under the FPPA. The Board is not required to pay expenses incurred by the Ministry to administer the LLPA. Prior to the coming into force of the amended regulation, the Ministry and the Board each paid a portion of the costs.

Also, per the Minister's Regulation (*O. Reg. 467/19*), effective April 1, 2020, the Board is required to pay investigative and most legal costs under the FPPA associated with the adjudication of claims (except costs

related to any judicial reviews in the Divisional Court of the Board's decisions on claims and any appeals beyond). These expenses have been reflected in the Board's financials since 2020-21 fiscal year.

Currently, OMAFRA's Director in AHWB is the Director under the LLPA with authority for licensing. Costs incurred by AHWB for their administrative activities for licensing (e.g. development, distribution and capture of renewals), key communications channels (e.g. web site and list of licensed dealers), compliance/enforcement (i.e. follow-up on late payment reports), inspection and Program oversight (e.g. costs for the LLPA Director) are not included in the program administration costs since these are being covered by OMAFRA. Once OMAFRA and Agricorp have completed the transition of these activities, these costs will be paid for by the Board.

The determining financial responsibility expenses for 2021-22 were \$152,533 which includes the one-time transition costs and the administrative costs to deliver the Program. This is compared to \$36,808 in 2020-21. The variance in expenses year over year is due to the one-time transition costs to transition the remaining Program activities to Agricorp which are billed to the Program/ Board and reflected in the actual expenses for 2021-22 fiscal year.

The expenses for governance, secretariat and financial services were slightly higher in 2021-22 due to additional administrative effort for the actuarial review that occurred in the fiscal year and for administrative support for the claim adjudication.

With the financial protection program review occurring and the transition from the previous vendor, the Board made the decision to defer the actuarial review that was planned as an expense in the budget for fiscal 2020-21, to 2021-22. The actuarial review was completed by a third-party vendor in February 2022 and the cost for the actuarial review was \$15,700, which was under budget.

Total Board operating expenses in 2021-22 fiscal year were \$204,608 (excluding any claims paid) compared to \$70,974 in 2020-21. This is a \$133,634 variance from the previous year expenses due to the cost for the actuarial review and for the one-time transition costs for the Program. This excludes any claims paid out from the Fund.

Agricorp invoices the Board for staff time worked by program/ service for 2021-22. Budgets prior to 2019-20 were not set-up to report by activity and as such show a variance (see Financial position table below).

The following expenses are paid by the Board to related parties:

- Governance and secretariat services; Financial services; and Financial responsibility review (Determining Financial Responsibility) are paid to Agricorp; and
- Legal and Investigation services are paid to OMAFRA.

Financial position

The table below shows the budget to actual and the variance between the 2020-21 and 2021-22 fiscal years.

	Budget 2020-21	Actual 2020-21	Variance to budget	Budget 2021-22	Actual 2021-22	Variance to budget
Revenue						
Fees	\$205,000	\$191,930	\$13,070	\$202,000	\$203,190	(\$1,190)
Interest	\$290,000	\$277,077	\$12,923	\$264,000	\$266,763	(\$2,763)

Total revenues excluding claim recoveries	\$495,000	\$469,007	\$25,993	\$466,000	\$469,953	(\$3,953)
Expenses						
Governance and secretariat Service	\$56,000	\$8,479	\$47,521	\$98,000	\$29,777	\$68,223
Financial Service	\$37,000	\$14,983	\$22,017			
Determining Financial Responsibility (see Note 1 and 2 below)	\$279,000	\$36,808	\$242,192	\$279,000	\$152,533 ²	\$126,476
Legal Services & Investigation	20,000	10,704	\$9,296	\$20,000	\$6,598	\$13,402
Professional Fees (actuarial review)	60,000	-	\$60,000	\$60,000	\$15,700	\$44,300
Total Expenses excluding claims paid	\$452,000	\$70,974	\$381,026	\$457,000	\$204,608	\$252,392
Net Balance (Total Revenue – Total Expenses; excluding claims)	\$43,000	\$398,033	(\$355,033)	\$9,000	\$265,345	(\$256,345)
Claims paid	\$265,000	\$0	\$265,000	\$269,000	\$107,617	\$161,383
Recoveries	\$40,000	\$0	(\$40,000)	\$0	(\$130,000)	(\$130,000)
Claims Net Balance (Claims paid – Recoveries)	\$225,000	\$0	\$225,000	\$269,000	(\$22,383)	\$246,617
Fund Balance (beginning of year)	\$7,885,451	\$8,259,229	(\$373,778)	\$8,645,229	\$8,657,262	(\$12,033)
Net Balance (including Claims Net Balance)	\$(182,000)	\$ 398,033	\$216,033	(\$260,000)	\$287,728	\$27,728
Fund Balance (end of year)	\$7,703,451	\$8,657,262	(\$953,811)	\$8,385,229	\$8,944,990	(\$559,761)

Notes:

Note 1: Financial responsibility review (Determining Financial Responsibility) summary of Program activities: Financial review of each application (validate, calculate score ratio, and assess financial responsibility), prepare licensing file financial recommendation for Program Director's decision/ approval.

Note 2: For 2021-22, the actual Determining Financial Responsibility cost includes the one-time costs and Program activities.

The one-time costs are related to the transition of the remaining Program activities from OMAFRA to Agricorp (which was \$102,584).

Effective, April 1, 2022, the responsibility for providing licensing and enforcement activities will transition to Agricorp.

Performance measures and targets

In its 2021-24 Business Plan, the Board identified several key priorities for action. What follows is a brief summary of key accomplishments regarding each of these priorities in the 2021-22 fiscal year. The table below shows the targets achieved/not achieved and actions to be taken.

Goal: Protecting the long-term viability of the Fund for Livestock Producers			
Performance Measure/Indicator	Baseline 2009-10	Targets 2021-22	Targets achieved/not achieved and action to be taken
Unqualified audit opinion from the annual audit	Achieved	Ongoing	Achieved.
The Fund remains actuarially sound with a balance of \$5.8M as recommended by the 2015 actuarial study.	\$5.8 M	\$6.1 M (based on 2015/16 actuarial review)	Achieved: Fund balance at \$8.944 million
Actuarial study completed approximately every five years to assess the long-term financial sustainability of the Fund considering the contribution and payout rates	July 2010	2020-21	The Board's actuarial review was completed in 2021-22. The review was originally scheduled for fiscal 2020-21 however decision was made by the Board to defer this to 2021-22 given the changes in the cost-share model that occurred in 2020 and the increased program delivery costs coming out of the Fund, There is no MOU requirement that an actuarial review has to occur every five years.
Review investment policy annually to ensure that investment targets are met (e.g. return on investment) and take actions as necessary	ROI of 3.97 %	ROI of 3.5 %	Achieved: rate of return on investment of 3.62%. 3.76% in 2020-21 4.36% in 2019-20.
Stakeholders informed of Boards finances via annual inserts in the BFO's annual report	February annually	Ongoing	Achieved.
Goal: Ensuring that there is an adjudication process in place that is simple, fair, and accessible, with minimal delays			
Number of days from receipt of report completed by investigators until the Board makes its decision (except where a hearing is held)	60	60	Achieved. There was one claim in 2021-22 fiscal year which was adjudicated and decision made by the Board within 60 calendar days of receiving the completed investigators report.

Decisions issued on average in 10 business days of Board's decision.	Refer to FPPA and consult with legal counsel	Refer to regulation and consult with legal counsel	Achieved. There was one claim in 2021-22 fiscal year and letters of the Board's decision was sent by registered mail to the parties within 10 business days of the Board's decision.
Number of judicial reviews where the court ruled against the Board's decision	0	0	There were no judicial reviews in 2021-22.
All payments from the Fund are in 100% compliance with the <i>FPPA</i> (monitoring to ensure compliance with section 5(2); 5(5) and 7(2))	Payments compliant with FPPA	Ongoing	Achieved.
Board at quorum	5 or more members appointed	5 or more members appointed	Achieved. (Note the quorum requirement. has been revoked from the Regulation as of January 1, 2020).
Goal: Strengthening Board governance and accountability			
Annual Report submitted to the Ministry	120 days	90 days	Achieved. 2020-21 Annual Report was submitted to Minister through the OMAFRA liaison on March 9, 2022 within 90-days of completing the financial audit (March 1, 2022) thereby meeting the AAD requirements.
Business Plan submitted to the Ministry	Annually	March 2020	Achieved. 2022-2025 Business Plan was submitted on March 1, 2022 and has been approved by the Minister. Posted publicly on Ministry website.
Submit Quarterly Risk Assessment Report to the Ministry	Within 15 days of the end of the quarter	Ongoing	Achieved.
Submit Agency Attestation to Minister (New requirement since 2015-16)	Annually	Annually	Achieved. Submitted to Agency liaison on March 16, 2022.

Appendix 1: History of Claims up to March 31, 2022.

Fiscal year ending	# of Defaulters	# of claim applications received	# of claims Paid	Amount being claimed	Amount Paid
1982	1	11	4	\$ 172,039.47	\$ 175,039.22
1983	7	11	5	\$ 405,867.73	\$ 193,476.04
1984	3	4	1	\$ 2,593.59	\$ 581.31
1985	5	23	11	\$ 368,195.48	\$ 381,176.39
1986	2	3	0	\$ 9,475.30	\$ -
1987	1	139	15	\$ 1,813,633.49	\$ 1,297,033.08
1988	3	125	77	\$ 836,970.80	\$ 371,334.78
1989	3	8	5	\$ 66,882.62	\$ 46,715.50
1990	6	31	23	\$ 1,352,067.61	\$ 1,183,260.56
1991	1	2	0	\$ 9,810.80	\$ -
1992	1	1	0	\$ 7,500.00	\$ -
1993	1	1	0	\$ 3,189.12	\$ -
1994	3	28	20	\$ 980,618.91	\$ 742,852.71
1995	1	2	1	\$ 16,697.88	\$ 10,899.59
1996	2	34	34	\$ 193,869.76	\$ 193,869.76
1997	2	2	0	\$ 17,852.50	\$ -
1998	4	7	6	\$ 165,370.64	\$ 138,723.51
1999	1	1	1	\$ 11,384.58	\$ 7,969.21
2000	3	48	47	\$ 2,203,876.13	\$ 1,977,548.03
2001	4	142	125	\$ 995,275.55	\$ 807,618.79
2002	0	0	0	\$ -	\$ -
2003	2	17	8	\$ 3,782,026.71	\$ 210,318.84
2004	2	52	19	\$ 337,875.45	\$ 296,894.42
2005	1	10	6	\$ 211,152.40	\$ 70,842.94
2006	0	0	0	\$ -	\$ -
2007	0	0	0	\$ -	\$ -
2008	1	1	0	\$ 27,631.10	\$ -
2009	3	17	1	\$ 673,469.83	\$ 18,727.94
2010	4	22	0	\$ 1,357,206.42	\$ -
2011	1	38	0	\$ 694,785.26	\$ 567,980.00
2012	2	264	172	\$ 1,535,925.68	\$ 285,911.94
2013	2	61	61	\$ 1,225,030.94	\$ 1,218,609.00
2014	1	1	1	\$ 883.62	\$ 883.62
2015	1	3	2	\$ 313,853.02	\$ 164,452.52
2016	4	13	9	\$ 1,232,333.84	\$ 409,006.26
2017	0	0	0	\$ -	\$ -
2018	0	0	0	\$ -	\$ -
2019	2	2	0	\$ 174,954.96	\$ -
2020	2	2	1	\$ 166,391.34	\$ 64,695.00
2021	0	0	0	\$ -	\$ -
2022	1	4	1	\$ 199,843.20	\$ 107,617.33
Total	83	1,130	658	\$ 21,566,535.73	\$ 10,944,068.29
Recovered					\$ 3,749,121.00
Net Paid Out					\$ 7,194,947.29

Appendix 2: History of Claims Recovered

Year	Amount Recovered (numbers are rounded)
Prior to 1998	\$1,135,254.00
1998	\$ 3,302.00
1999	\$ -
2000	\$ 435.00
2001	\$ 385,000.00
2002	\$ -
2003	\$ 39,760.00
2004	\$ 78,977.00
2005	\$ 119,950.00
2006	\$ -
2007	\$ 350,000.00
2008	\$ -
2009	\$ -
2010	\$ 31,044.00
2011	\$ 332,869.00
2012	\$ 216,541.00
2013	\$ 561,382.00
2014	\$ 291,809.00
2015	\$ -
2016	\$ 21,870.00
2017	\$ -
2018	\$ -
2019	\$ -
2020	\$ 50,927.00
2021	\$ -
2022	\$ 130,000.00
Total Recovered	\$ 3,749,121.00

Financial Statements of

Livestock Financial Protection Board
(Fund for Livestock Producers)

Year Ended March 31, 2022

Management's responsibility for financial reporting

The accompanying financial statements have been prepared by management, in accordance with Canadian Public Sector Accounting Standards. Management is responsible for the accuracy, integrity and objectivity of the information contained in the financial statements. The financial statements include some amounts that are necessarily based on management's best estimates and have been made using careful judgment.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded, and proper records are maintained. The systems include formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities.

The Board of Directors is responsible for ensuring management fulfills its responsibilities for financial reporting and internal control. The Board meets regularly to oversee the financial activities and annually reviews the financial statements.

These financial statements have been audited by the Auditor General of Ontario. The Auditor General's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian Public Sector Accounting Standards. The Independent Auditor's Report, which appears on the following page, outlines the scope of the Auditor General's examination and opinion.

Becky Philpott

Becky Philpott (Dec 22, 2022 10:09 EST)

Becky Philpott
Chief Financial Officer, Agricorp

Theresa Moisan

Theresa Moisan (Dec 22, 2022 10:06 EST)

Theresa Moisan
Controller, Agricorp

December 22, 2022



Office of the Auditor General of Ontario
Bureau de la vérificatrice générale de l'Ontario

Independent Auditor's Report

To the Livestock Financial Protection Board
and to the Minister of Agriculture, Food and Rural Affairs

Opinion

I have audited the financial statements of the Livestock Financial Protection Board (Fund for Livestock Producers) (the Board), which comprise the statement of financial position as at March 31, 2022, and the statements of operations and fund balance and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2022, the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Board in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the financial statements and my auditor's report thereon, in the Board's 2021-22 Annual Report. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, 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 Board'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 the Board either intends to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 Board'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 Board's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to

the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Board 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.

I 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 I identify during my audit.

Toronto, Ontario
December 22, 2022

A handwritten signature in black ink, appearing to be 'SK' or similar, written in a cursive style.

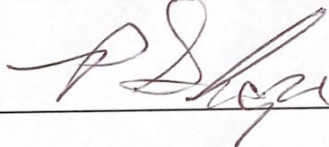
Susan Klein, CPA, CA, LPA
Assistant Auditor General

Livestock Financial Protection Board
(Fund for Livestock Producers)
Statement of financial position
As at March 31, 2022

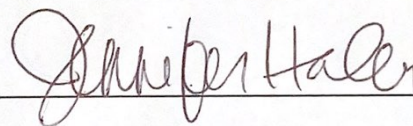
	2022	2021
Current assets		
Cash	\$ 1,793,952	\$ 1,316,275
Recovery receivable	50,000	-
Short-term investments (note 3)	-	1,000,620
Mortgage receivable - current portion (note 4)	4,060,989	60,989
Total current assets	5,904,941	2,377,884
Long-term investments (note 3)	3,306,397	2,304,564
Mortgage receivable - long-term (note 4)	-	4,000,000
Total assets	9,211,338	8,682,448
Liabilities		
Accounts payable (note 6)	266,348	25,186
Total liabilities	266,348	25,186
Fund balance	8,944,990	8,657,262
Liabilities and fund balance	\$ 9,211,338	\$ 8,682,448

See accompanying notes to financial statements

Approved on behalf of the Board



Paul Sharpe
Board Chair



Jennifer Haley
Board Vice - Chair

Livestock Financial Protection Board
(Fund for Livestock Producers)
Statement of operations and fund balance
Year ended March 31, 2022

	2022	2021
Revenue		
Fees	\$ 203,190	\$ 191,930
Interest income	266,763	277,077
Claim recoveries	130,000	-
Total revenue	599,953	469,007
Expenses		
Financial responsibility review (note 7)	152,533	36,808
Governance and secretariat	15,720	8,479
Financial services	14,057	14,983
Legal and investigation	6,598	10,704
Professional fees	15,700	-
Claim paid	107,617	-
Total expenses	312,225	70,974
Excess of revenue over expenses	287,728	398,033
Fund balance, beginning of year	8,657,262	8,259,229
Fund balance, end of year	\$ 8,944,990	\$ 8,657,262

See accompanying notes to financial statements

Livestock Financial Protection Board
(Fund for Livestock Producers)
Statement of cash flows
Year ended March 31, 2022

	2022	2021
Operating Activities		
Excess of revenue over expenses	\$ 287,728	\$ 398,033
Non-cash items		
(Decrease) increase in accrued interest	(1,213)	1,831
Working Capital		
Increase in recovery receivable	(50,000)	-
Increase (decrease) in accounts payable	241,162	(84,634)
Cash provided from operating activities	477,677	315,230
Investing Activities		
Purchase of investments	(1,000,000)	(1,000,000)
Proceeds from investments	1,000,000	1,000,000
Cash used by investing activities	-	-
Increase in cash	477,677	315,230
Cash, beginning of year	1,316,275	1,001,045
Cash, end of year	\$ 1,793,952	\$ 1,316,275

See accompanying notes to financial statements

Livestock Financial Protection Board
(Fund for Livestock Producers)
Notes to the financial statements
Year ended March 31, 2022

1. Establishment of the Board (Fund)

The Farm Products Payments Act (FPPA) designated the Livestock Financial Protection Board (Board) as the Board to administer the Fund for Livestock Producers (the Fund). The Fund was established effective June 12, 1982, by regulation made under the FPPA.

The purpose of the Fund is to protect livestock sellers against loss through default in payments by a buyer. For defaults in payments by dealers, claimants are reimbursed 95% of an approved claim. For defaults in payments by producers, claims over \$5,000 are paid the lesser of 85% of an approved claim and \$125,000. The Board seeks recovery of any claims paid from the defaulter.

Under Ontario Regulation 321/11, producers, licensed dealers, consignors and consignees are required to pay the Board a fee of ten cents per head of livestock.

Under Ontario Regulation 467/19, the Board is responsible for all expenses relating to the administration of the FPPA and the Livestock and Livestock Products Act (LLPA).

As a Board-governed provincial agency, the Fund is exempt from income taxes.

2. Significant accounting policies

a) Basis of accounting

The financial statements are prepared by management in accordance with Canadian Public Sector Accounting Standards, including the 4200 series standards for government not-for-profit organizations.

b) Financial instruments

Financial instruments consist of cash, investments and accounts payable.

All financial instruments are recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected to record investments at fair value. Guaranteed Investment Certificates (GICs) are recorded at cost plus accrued interest, which approximates fair value.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations and fund balances. A statement of remeasurement gains and losses has not been presented as there is nothing to report therein.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and fund balances. Any unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations and fund balances when realized.

The Board is required to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

Level 1 – unadjusted quoted market prices in active markets for identical assets or liabilities;

Level 2 – observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and

Livestock Financial Protection Board

(Fund for Livestock Producers)

Notes to the financial statements

Year ended March 31, 2022

b) Financial instruments (continued)

Level 3 – unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

c) Revenue recognition

The Fund's revenue is comprised of fees paid under the FPPA, investment income, including mortgage interest, and claim recoveries.

Per regulation under the Act, fees are remitted to the Board directly by producers, licensed dealers and consignors. Revenue from fees are earned and recognized when received.

Investment income is recognized as earned and amounts not yet received are included in the carrying value of investments.

Certain dealers provide financial security under the requirements of the LLPA. Claim recoveries where financial security has been provided, are recorded when the associated claim is approved for payment, up to the amount of the security. Claim recoveries, where there is no financial security, are recorded when received, due to the inherent uncertainty regarding the amount and timing of any recovery.

d) Expenses

Expenses are recorded on an accrual basis, net of recoverable sales tax.

3. Investments

	Fair Value Hierarchy	2022	2021
Short-term (<1 year)			
Financial institutions - GICs	Level 2	\$ -	\$ 1,000,620
Total short-term		-	1,000,620
Long-term (1 - 5 year)			
Financial institutions - GICs	Level 2	3,306,397	2,304,564
Total long-term		3,306,397	2,304,564
Total investments		\$ 3,306,397	\$ 3,305,184

The Fund's portfolio has interest rates ranging from 2.13% to 2.23% (2021 – 0.73% to 2.13%) with maturities ranging from March 2024 to February 2025 (2021 - March 2022 to February 2025).

4. Mortgage receivable

The Mortgage receivable is on development lands in the City of Kitchener, Ontario bearing interest at 5% per annum. The mortgage is secured by a first charge on the development lands. The Board renewed the mortgage agreement on December 11, 2017 for an additional term of 5 years with the principal due December 10, 2022, and interest paid semi-annually. Interest receivable at March 31, 2022 amounts to \$60,989 (2022 - \$60,989) and is included in mortgage receivable – current portion.

In the event of the sale or any other conveyance of all or part of the lands, at the option of the Board, the principal and accrued interest shall be immediately due and payable to the Board. At any time, the mortgagor can pay all or any part of the principal without notice or penalty.

Livestock Financial Protection Board

(Fund for Livestock Producers)

Notes to the financial statements

Year ended March 31, 2022

Subsequent to year end, the Board has renewed the mortgage for an additional four years, bearing interest at 6% per annum, maturing December 10, 2026.

5. Financial instruments risk management

a) Credit risk

Credit risk is the risk that other parties fail to perform as contracted. Credit risk on investment securities arises from the Funds' position in term deposits, corporate debt securities, and government bonds. Board investment policy restricts the types of investments which reduces credit risk.

b) Liquidity risk

Liquidity risk is the risk that the Fund may not be able to meet all cash flow obligations as they come due. The Board seeks to limit its liquidity risk by actively monitoring and managing its available cash reserves to ensure that it is able to satisfy financial liabilities as they come due. Cash that is surplus to working capital requirements is managed by the Board and invested in accordance with its investment policy.

c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market price. Market risk comprises three types of risk: currency risk, interest rate risk and equity risk. Currently, the Fund is exposed only to interest rate risk.

d) Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Funds' financial position, operations and cash flow. Fluctuations in interest rates have a direct impact on the market valuation of the Funds' fixed income securities portfolio.

Although investments are generally held to maturity, realized gains or losses could result if liquidation of investments is required to meet obligations. There have been no significant changes from the previous year in the exposure to risk or to the policies, procedures and methods used to measure the risk.

Mortgage receivable is a fixed rate debt instrument, which is not subject to interest rate fluctuations.

6. Accounts payable

Accounts payable includes a claim payable of \$ 107,617 (2021- \$nil).

7. Related party transactions

The Board is responsible for expenses related to financial responsibility review, licensing and enforcement; financial services and governance and secretariat. The Board entered into an agreement with Agricorp to provide financial responsibility review, financial, and governance and secretariat services which amounted to \$79,579 (2021 - \$60,101) and are included in expenses on the Statement of Operations and Fund Balance. Expenses for licensing and enforcement were absorbed by OMAFRA and are not included on the Statement of Operations and Fund Balance. Effective, April 1, 2022, the responsibility for providing licensing and enforcement activities will transition to Agricorp. The Board paid Agricorp \$102,584 (2021 - \$nil) related to costs associated with the transition of the Ontario Beef Cattle Financial Protection Program's licensing and enforcement activities and are included in expenses in the Statement of Operations and Fund Balance.

Livestock Financial Protection Board
(Fund for Livestock Producers)
Notes to the financial statements
Year ended March 31, 2022

Effective April 1, 2020, the Board became responsible for expenses related to legal and investigation services provided by the Ministry of Agriculture, Food and Rural Affairs (OMAFRA). In the current year, legal and investigation services amounted to \$6,598 (2021 – \$10,704) and are included in expenses on the Statement of Operations and Fund Balance.

8. Comparative figures

Certain comparative figures have been reclassified to conform to the basis of financial presentation adopted in the current year.