

Livestock Financial Protection Board
2022-23 Annual Report

Table of Contents

Message from Chair	3
About the Board	5
Operational performance and activities	8
Analysis of financial performance	11
Financial position.....	14
Performance measures and targets	16
Appendix 1: History of Claims up to March 31, 2023.	18
Appendix 2: History of Claims Recovered	19
Appendix 3: Audited Financial Statements for year ending March 31, 2023.	20

Message from the Chair

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, 2023.

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.

The following are some highlights for the 2022-23 fiscal year:

- The Fund remained actuarially sound with a balance of \$9.207 million (\$3.107 million above the 2015/16 actuarial review target of \$6.10 million);
- Investment income of \$367,028 primarily due to the increase in rates in fiscal 2022-23;
- Rate of return on investment of 4.64%;
- 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 2022-23, there were no claims for the Board to adjudicate regarding non-payment from licensed dealers and/or producers. There were no claims paid out from the Fund in 2022-23. 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 expenses 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 Board shared the final actuarial report from the third party independent vendor and then met with stakeholders in December 2022 to present the analysis and discuss the recommendation for an increase to the check-off fee (see Page 9-10 for more details).

The transition of Program activities from OMAFRA to Agricorp has been completed (see page 9 for details).

Throughout 2022-23, 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 to the Board and three existing members were reappointed to the Board, including one existing member appointed as Vice Chair and the existing Vice-Chair appointed to the Chair role.

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 and 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. It operates under the authority of the *Farm Products Payments Act* (FPPA), Ontario Regulation 560/93: Fund for Livestock Producers and Ontario Regulation 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.

Effective August 30, 2022, the Board Chair and Minister affirmed the continued use of the existing MOU (that was effective June 5, 2017). The MOU is effective until it is revoked or the parties sign a new MOU.

About the Board

The Board's primary focus is on the prudent management of the Funds and preparing for claims when they occur.

Mandate of the 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 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 October 2021, the Board Chair received the mandate letter from the Minister of Agriculture, Food and Rural Affairs, which set expectations for 2022-23 fiscal year as follows:

- Ensure long-term sustainability and effective oversight, risk management and expenditure management of the Fund.
- Ensure the maintenance of an effective system of internal controls and compliance with applicable requirements to promote transparency and accountability (i.e.: oversight of controls to ensure efficiency and sustainability).
- Continue to measure the performance of the Fund for Livestock Producers against established targets and have an established investment policy that is reviewed annually to ensure long-term sustainability of the Fund, and communicate with and report to stakeholders.
- Continue to investigate and adjudicate claims in a fair and equitable manner.
- Continue to engage with the Ministry's review of the Financial Protection Programs and the implementation of actions recommended through the review.
- Continue to support the Ministry and Agricorp to complete the transition of the delivery of the Program to Agricorp.

The Board has aligned its priorities and strategic approach to support the Minister's mandate and achieved the following in the 2022-23 fiscal:

- Ensured the processing of claims is completed fairly and with minimal delays. There were no claims applications received and none for the Board to adjudicate regarding non-payment from licensed dealers in 2022-23 fiscal year.

- Annually reviewed the performance of the Fund against established targets (currently \$3.107 million above the 2015/16 actuarial review target of \$6.10 million). Communicated the Board's annual audited financials and annual report to stakeholders following Minister's approval.
- Effective oversight, risk management and expenditure management of the Fund (e.g. use tactics such as an actuarial review that was conducted in fiscal 2021-22; annual agency attestation for 2022-23 fiscal year).
- Continued to work with OMAFRA to support the review of the financial protection programs and to identified opportunities (as communicated in a letter dated March 2023 from the Board Chair to the Minister) to ensure that livestock producers and dealers have access to stable risk management tools.
- Met all AAD provisions and requirements (e.g., agency attestation).
- Continued to support the Ministry and Agricorp with the transition of the delivery of the Program services to Agricorp. Updates on the transition were provided to the Board to be kept informed on the transition.

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.

Per regulation, the Board shall be comprised of at least five members as appointed by the Minister:

- 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.

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.

Appointees receive remuneration (i.e.: per diem) based on their role, as outlined in the AAD. This is paid by OMAFRA and not from the Fund. A summary of each member's 2022-23 remuneration as provided by OMAFRA (not including expenses) is noted below and is based on when they were submitted and processed.

In 2022-23 fiscal year, two new members were appointed and an existing member was reappointed to the Board for 3-year terms. Following two separate Public Appointments Secretariat (PAS) job postings, in April 2022 the Minister appointed an existing member to the Chair role and an existing member to the Vice Chair role. As of March 31, 2023, there are eight active, part-time members, including the Chair and Vice-Chair. The table below shows the appointed members and the term of their appointments.

The appointees for the fiscal year 2022-23 (as of March 31, 2023).

Position	Member name	Organization	Tenure	2022-23 Remuneration
Chair	Paul Sharpe	Beef Farmers of Ontario	02-Dec-2017 – 28-Feb-2025 (Chair since April 2022)	\$1,528.00
Vice Chair	Jennifer Haley	Veal Farmers of Ontario	06-Oct-2008 – 7-Apr-2025 (Vice-Chair since April 2022)	\$1,324.00
Member	Don Gordon	Dairy Farmers of Ontario	17-June-2021 – 16-June-2024	\$588.00
Member	Daphne Nuys-Hall	Meat & Poultry Ontario	13-Dec-2021 – 12-Dec-2024	\$1,199.17
Member	Howard Greig	Ontario Livestock Dealer's Association	06-Mar-2019 – 05-Mar-2025	\$1,092.00
Member	Cindy Ferraro	Ontario Livestock Auction Markets Association	3-Feb-2023 – 2-Feb-2026 (New member since February 2023)	-
Member	Blair Williamson	Beef Farmers of Ontario	28-Feb-2020 – 27-Feb-2026 (reappointed Feb 2023 for a 3 year term)	\$672.00
Member	Amanda Hammell	Direct Minister's Appointment	9-Mar-2023 – 8-Mar-2026 (New member since March 2023)	-

Board staff/ support

The Board does not have its own staff. Since January 1, 2019, the Board has entered into a service agreement with Agricornp for governance, secretariat and financial services support to the Board. The current agreement is effective until March 31, 2023. Agricornp, OMAFRA and the Board are collaborating on an agreement which will be a multi-year delivery agreement effective April 1, 2023.

- Governance and secretariat services includes coordination, attendance and secretariat at board meeting, preparing draft documents and claim adjudication support. Other services include assisting the Board in drafting its annual report, business plan and other documentation required for compliance with the MOU and the AAD.
- As part of the financial services support to the Board, Agricornp is the investment manager for the Fund. As the investment manager of the Fund, Agricornp 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 Agricornp finance staff to execute investment decisions.

Agricornp 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 expenses/ 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. Counsel 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 of January 1, 2020, as part of the new Minister's regulation, O. Reg. 467/19: Boards' Payment of Expenses, the Board pays 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. In 2022-23 fiscal year, four hybrid meetings were held (in-person and virtually); one investment proposal was discussed and a decision was made by email; and one in-person meeting held with stakeholders for a total of six meetings. This is compared to four Board meetings in the 2021-22 fiscal year that were 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 2022-23 fiscal year was completed in January 2024 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 of Program activities from OMAFRA to Agricorp:

Since January 2019, Agricorp has been delivering certain aspect of the Program. There were certain aspects that needed to be transitioned from OMAFRA's Animal Health and Welfare Branch (AHWB) to Agricorp. The Program services that were provided by AHWB to transition to Agricorp included: administrative tasks for licensing: development, distribution and capture of renewals; key communications channels: web site and list of licensed dealers; compliance/enforcement; inspections; and Program oversight including the Minister appointing an Agricorp employee to the Director under the LLPA. Agricorp and OMAFRA had a phased approach to transition these services and collaborate on processes during this phase. The one-time expenses to transition these remaining Program activities to Agricorp were expenses to the Program/ Board which is reflected in the financial position/ table (see Page 14 for details). The transition of Program services for delivery occurred in 2021-22 and 2022-23 fiscal years and is now complete.

Effective April 1, 2022, Agricorp's Senior Director of Program Delivery was appointed by the Minister as the Director under the LLPA with authority for licensing. Prior to this, OMAFRA's Director in AHWB was appointed the Director under the LLPA. In January 2023, the Ministry appointed three Agricorp staff as Inspectors under the LLPA.

Expenses (costs) incurred by AHWB from 2019 to 2021 for their administrative services for licensing, inspection and Program oversight activities were not included in the Program administration expenses since these were being covered by OMAFRA. Now that these activities have transitioned to Agricorp, these services will be expensed to the Program/ Board (previously being covered by OMAFRA). The one-time expenses to transition the remaining Program activities to Agricorp was billed to the Board, which is reflected in expenses for 2021-22 and 2022-23 fiscal years. Updates on the transition were provided to the Board at their meetings.

Prior to Agricorp, 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 independent 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 expenses coming out of the Fund as a result of the new Minister's regulation, the Board felt that 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 shared the final actuarial report and then met with the key livestock stakeholders in December 2022 to present the analysis and discuss the recommendation for an increase to the check-off fee. The main driver of the increase are livestock price have increased (since 2015/16 and if claims are paid from the Fund, they would be higher amounts) and changes to the cost share model that became effective in 2020. The Board heard support from stakeholders on the results from the actuarial review to increase the check-off fee and stakeholders also confirmed at this meeting the importance to move forward with the updates to the legislation for the financial protection programs.

On the Board's behalf in March 2023, the Chair sent a letter to the Minister, respectfully recommending that the Minister consider an adjustment in the near future to the check-off fee to thirty cents per head of livestock sold per transaction (an increase from ten cents). As well, the Board asked the ministry to move forward with updates to the legislation for the financial protection programs. Having these move forward will help strengthen the OBCFPP to ensure livestock producers have access to stable risk management tools for their businesses.

The check-off fees are set-out in Regulation and the Minister has the authority set/change the check-off fee under the LLPA. Therefore, any changes would require Ministerial approval.

Currently the next actuarial review is planned for the 2026-27 fiscal year.

A review of the Financial Protection Programs:

Ontario's 2019 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.

The Board continues to support the Ministry's review of the financial protection programs. In a letter the Board Chair sent to the Minister in March 2023 discussing the check-off fees, the Chair also asked that the Minister give consideration to move forward with the updates to the legislation for the financial protection programs. Having these move forward will help strengthen the OBCFPP to ensure livestock producers have access to stable risk management tools for their businesses.

OMAFRA's FFB is the lead and continues to keep the Board and stakeholders informed on the status.

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 2022-23, there were no claim applications received, no claims sent for investigation and no claims for the Board to adjudicate regarding non-payment from licensed dealers. There were no claims paid out from the

Fund in 2022-23. This compares to the previous fiscal year (2021-22) where the Board received four claim applications regarding non-payment from licensed dealers, however, three were withdrawn by the producer (seller). One claim was investigated and the Board made decision for a payment of \$107,617 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).

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 are owed to the Fund. Its objectives are to recover as much outstanding debt as is reasonably achievable using a variety of tools and options.

The Board continues to work with legal counsel to ensure that debt owed to the Fund based on claims paid from the Fund in previous years is collected, however, no monies were recovered in 2022-23. The Board will continue to make every reasonable attempt to collect/ recover monies that are owed to 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 2022-23 fiscal year was completed in January 2024. The LFPB's fiscal year is April 1 to March 31.

The balance of the Fund at the beginning of the fiscal year was \$8.944 million and at the end of fiscal year 2022-23 it was \$9.207 million, an increase of \$262,097 primarily due to revenue received from investment interest because of higher rates in 2022. 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. (See Appendix 3: Audited Financial Statements).

Revenue and Fund investment performance

The Board receives revenue for the Fund from two sources. Revenue is received from producer check-off fees and interest income earned on the balance of the Fund held and investments.

Total revenue for the Fund for fiscal 2022-23 was \$567,655 (excluding any claim recovery), compared to \$469,953 in 2021-22 (excluding any claim recovery). This is due to more revenue received from interest income because of higher rates for investments in 2022-23 fiscal year.

The amount of money earned by the Fund from check-off fees was \$200,627 for 2022-23 fiscal year compared to \$203,190 for the 2021-22 fiscal year, resulting in a minimal decrease year over year.

Interest income on investments totaled \$367,028 for the 2022-23 fiscal year, compared to \$266,763 in 2021-22. The increase from last year is attributed to higher interest rates on cash amounts as well as the mortgage investment that was renewed at a higher rate providing more revenue in return.

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*. The investment policy was reviewed by a third party actuary vendor as part of the actuarial review completed in 2021/22 to ensure it remains relevant to the prevailing and forecasted nature of the Fund's

liabilities. The actuary vendor confirmed that the investments held by the Fund, as well as the transactions conducted, are consistent with the Board's Investment Policy.

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 held its policy rate to record lows from March 2020 to March 2022. In fiscal 2023, the Bank of Canada has successfully increased its policy rate commencing March 2022 from 0.25% to a rate of 4.5% in January 2023.

The Board's investments include Guaranteed Investment Certificates (GICs) and a \$4 million first mortgage on development land in the Regional Municipality of Waterloo with Aactiva Holdings Inc. The mortgage agreement for \$4 million was earning 5% interest paid semi-annually which was set to mature/ expire on December 10, 2022. Renewal options were discussed with the parties and a decision was made to renew the mortgage investment with Aactiva Holdings Inc. for a 4-year term with prepayment option after year 2 or 30-months, at an investment rate of 6% (an increase of 1% from the previous agreement) providing more income revenue in return for the Fund beyond effective January 2023.

Overall, the impact of these interest rate increases (for the mortgage and GIC investments) has provided a higher rate of return for the Fund with the average return on investment of 4.64% compared to 3.62% in 2021-22 fiscal year).

Expenses

Effective January 1, 2020 the Board is responsible 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 expenses.

Since April 1, 2020, the Board is required to pay investigative and most legal expenses (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. The expenses in 2022-23 were \$4,538, compared to \$6,598 in 2021-22. The expenses were related primarily due to debt recovery efforts.

The financial responsibility review and licensing expenses for 2022-23 were \$264,954 which includes the one-time transition expenses and the administrative expenses to deliver the Program. This is compared to \$152,533 in 2021-22. The variance in expenses year over year is due to the one-time transition expenses to transition the remaining Program activities to Agricorn which are billed to the Program/ Board.

As part of the transition of remaining Program activities from OMAFRA to Agricorn, there were one-time costs that were expensed to the Program/ Board which are reflected in the financial responsibility review & licensing expense in 2021-22 and 2022-23 fiscal years. There will not be any one-time transition expenses in 2023-24 fiscal year as the transition is complete as of April 2023.

As the administrative Program activities transitioned to Agricorn throughout 2021 to 2023 (i.e.: development, distribution and capture of renewal; web site and list of licensed dealers; Program oversight), these services are expensed to the Board and are reflected in the financials (previously covered by OMAFRA). Expenses have increased since April 1, 2022 over the prior year due to additional program related activities which is in accordance with the transition plan. Updates on the transition were provided to the Board at their meetings including the financial expenses.

The expenses for governance, secretariat and financial services were slightly higher in 2022-23 due

to additional administrative effort for board meetings held in-person and the work to renew the mortgage investment agreement that occurred.

There was no payout of claims from the Fund and no monies were recovered.

The Boards total operating expenses in 2022-23 fiscal year were \$305,576 (excluding any claims paid) compared to \$204,608 in 2021-22 (excludes any claims paid out from the Fund). This is a \$100,968 variance from the previous year expenses due to additional program related activities which began April 1, 2022, in accordance with the transition plan (these expenses were previously being covered by OMAFRA and once transitioned, these are expensed to the Board).

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

- Governance and secretariat services; Financial services; and Financial responsibility review & licensing 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 2021-22 and 2022-23 fiscal years.

	Budget 2021-22	Actual 2021-22	Variance to budget	Budget 2022-23	Actual 2022-23	Variance to budget
Revenue						
Fees	\$202,000	\$203,190	(\$1,190)	\$205,000	\$200,627	\$4,373
Interest	\$264,000	\$266,763	(\$2,763)	\$297,000	\$367,028	(\$70,028)
Total revenues excluding claim recoveries	\$466,000	\$469,953	(\$3,953)	\$502,000	\$567,655	(\$65,655)
Expenses						
Governance and secretariat Service	\$98,000	\$29,777	\$68,223	\$93,000	\$36,084	(\$56,916)
Financial Service						
Financial responsibility review & licensing (see Note 1 and 2 below)	\$279,000	\$152,533 ²	\$126,476	\$279,000	\$264,954	(\$14,046)
Legal services & Investigation	\$20,000	\$6,598	\$13,402	\$20,000	\$4,538	(\$15,462)
Professional Fees (actuarial review)	\$60,000	\$15,700	\$44,300	\$0	\$0	\$0
Total expenses excluding claims paid	\$457,000	\$204,608	\$252,392	\$392,000	\$305,576	\$86,424
Net Balance (Total Revenue – Total Expenses; excluding claims)	\$9,000	\$265,345	(\$256,345)	\$110,000	\$262,079	(\$152,079)
Claims paid	\$269,000	\$107,617	\$161,383	\$238,000	\$0	(\$238,000)
Recoveries	\$0	(\$130,000)	(\$130,000)	\$0	\$0	\$0
Claims Net Balance (Claims paid – Recoveries)	\$269,000	(\$22,383)	\$246,617	\$238,000	\$0	(\$238,000)
Fund Balance (beginning of year)	\$8,645,229	\$8,657,262	(\$12,033)	\$8,966,262	\$8,944,990	\$21,272
Net Balance (including Claims Net Balance)	(\$260,000)	\$287,728	\$27,728	(\$128,000)	\$262,079	\$134,079
Fund Balance (end of year)	\$8,385,229	\$8,944,990	(\$559,761)	\$8,838,262	\$9,207,069	(\$368,807)

Notes:

Note ¹: Summary of financial responsibility review & licensing activities (Program administration): financial review of each application (validate, calculate score ratio, and assess financial responsibility); prepare licensing file financial recommendation; Program Director's decision/ approval of licences (issue, renew, cancel, add terms and conditions, suspend, cancel according to Act and regulation); correspond with applicants; manage financial security (if required); respond to complaints and escalate/ discuss with Program Director to determine next step; and program reporting.

Note ²: For 2021-22 and 2022-23, the actual financial responsibility review & licensing expense includes the one-time costs and Program activities as part of the transition from OMAFRA to Agricorp.

The one-time expenses are related to the transition of the remaining Program activities from OMAFRA to Agricorp (which was \$102,584 in 2021-22 and \$81,944 in 2022-23).

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 2022-23	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 \$9.207 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	Actuarial study occurred in 2021-22 fiscal.	The Board's actuarial review was completed in 2021-22. Results were presented to the Board in March 2022 and shared with stakeholders in 2022-23 fiscal year.
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 4.64% (in 2022-23). • 5% in 2021-22 • 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 were no claims adjudicated by the Board in 2022-23.
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 were no decision letters issued as there were no claims to adjudicate in 2022-23.
Number of judicial reviews where the court ruled against the Board's decision	0	0	There were no judicial reviews in 2022-23.

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. No claims were paid from the Fund in 2022-23 as there were no claims to adjudicate. Board expenses were paid from the Fund.
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. 2021-22 Annual Report was submitted to Minister through the OMAFRA liaison on January 13, 2023 within 90-days of completing the financial audit (January 11, 2023) thereby meeting the AAD requirements.
Business Plan submitted to the Ministry	Annually	March 2023	Achieved. 2023-2026 Business Plan was submitted on March 6, 2023 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 15, 2023 meeting the ministry submission timeline.

Appendix 1: History of Claims up to March 31, 2023.

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
2023	0	0	0	\$ -	\$ -
Total	83	1,130	656	\$ 21,566,535.73	\$ 10,944,038.29
Recovered					\$ 3,749,120.00
Net Paid Out					\$ 7,194,918.29

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
2023	\$ -
Total Recovered	\$ 3,749,120.00

Financial Statements of

**Livestock Financial Protection Board
(Fund for Livestock Producers)**

Year Ended March 31, 2023

Financial Statements of

Livestock Financial Protection Board
(Fund for Livestock Producers)

Year Ended March 31, 2023

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
Chief Financial Officer, Agricorp

Aron Nonkes
Controller, Agricorp

January 25, 2024

AGO REPORT - PLACEHOLDER

Livestock Financial Protection Board
(Fund for Livestock Producers)
Statement of financial position
As at March 31, 2023

	2023	2022
Current assets		
Cash	\$ 824,215	\$ 1,793,952
Recovery receivable	-	50,000
Short-term investments (note 3)	1,001,833	-
Mortgage receivable - current portion (note 4)	73,187	4,060,989
Total current assets	1,899,235	5,904,941
Long-term investments (note 3)	3,373,769	3,306,397
Mortgage receivable - long-term (note 4)	4,000,000	-
Total assets	9,273,004	9,211,338
Liabilities		
Accounts payable (note 6)	65,935	266,348
Total liabilities	65,935	266,348
Fund balance	9,207,069	8,944,990
Liabilities and fund balance	\$ 9,273,004	\$ 9,211,338

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, 2023

	2023	2022
Revenue		
Fees	\$ 200,627	\$ 203,190
Interest income	367,028	266,763
Claim recoveries	-	130,000
Total revenue	567,655	599,953
Expenses		
Financial responsibility review, licensing and enforcement (note 7)	264,954	152,533
Governance and secretariat	16,107	15,720
Financial services	19,977	14,057
Legal and investigation	4,538	6,598
Professional fees	-	15,700
Claim paid	-	107,617
Total expenses	305,576	312,225
Excess of revenue over expenses	262,079	287,728
Fund balance, beginning of year	8,944,990	8,657,262
Fund balance, end of year	\$ 9,207,069	\$ 8,944,990

See accompanying notes to financial statements

Livestock Financial Protection Board
(Fund for Livestock Producers)
Statement of cash flows
Year ended March 31, 2023

	2023	2022
Operating Activities		
Excess of revenue over expenses	\$ 262,079	\$ 287,728
Non-cash items		
Increase in accrued interest	(81,403)	(1,213)
Working Capital		
Decrease (increase) in recovery receivable	50,000	(50,000)
(Decrease) increase in accounts payable	(200,413)	241,162
Cash provided from operating activities	30,263	477,677
Investing Activities		
Purchase of investments	(3,300,000)	(1,000,000)
Proceeds from investments	2,300,000	1,000,000
Cash used by investing activities	(1,000,000)	-
(Decrease) increase in cash	(969,737)	477,677
Cash, beginning of year	1,793,952	1,316,275
Cash, end of year	\$ 824,215	\$ 1,793,952
<i>See accompanying notes to financial statements</i>		

Livestock Financial Protection Board

(Fund for Livestock Producers)

Notes to the financial statements

Year ended March 31, 2023

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, mortgage receivable 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, 2023

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	2023	2022
Short-term (<1 year)			
Financial institutions - GICs	Level 2	\$ 1,001,833	\$ -
Total short-term		1,001,833	-
Long-term (1 - 5 year)			
Financial institutions - GICs	Level 2	3,373,769	3,306,397
Total long-term		3,373,769	3,306,397
Total investments		\$ 4,375,602	\$ 3,306,397

The Fund's portfolio has interest rates ranging from 2.23% to 5.16% (2022 – 2.13% to 2.23%) with maturities ranging from March 2024 to October 2026 (2022 – March 2024 to February 2025).

Livestock Financial Protection Board
(Fund for Livestock Producers)
Notes to the financial statements
Year ended March 31, 2023

4. Mortgage receivable

The Mortgage receivable is on development lands in the City of Kitchener, Ontario bearing interest at 6% (2022 – 5%) per annum. The mortgage is secured by a first charge on the development lands. The Board renewed the mortgage agreement on December 8, 2022 for an additional term of 4 years with the principal due on December 10, 2026, and interest paid semi-annually. Interest receivable at March 31, 2023 amounts to \$73,187 (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.

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.

Livestock Financial Protection Board
(Fund for Livestock Producers)
Notes to the financial statements
Year ended March 31, 2023

6. Accounts payable

Accounts payable includes a claim payable of \$nil (2022 – \$107,617).

7. Related party transactions

The Board is responsible for expenses related to financial responsibility review, licensing and enforcement; and financial, governance and secretariat services. The Board entered into an agreement with Agricorp, a provincial agency under common control by the Province of Ontario, to provide financial responsibility review, licensing and enforcement services as well as financial, governance and secretariat services, which amounted to \$218,669 (2022 – \$79,579) and are included in expenses on the Statement of Operations and Fund Balance.

Prior to April 1, 2022, expenses for licensing and enforcement were absorbed by the Ministry of Agriculture, Food and Rural Affairs (OMAFRA) and are not included on the Statement of Operations and Fund Balance. The Board paid Agricorp \$81,944 (2022 – \$102,584) 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.

The Board is responsible for expenses related to legal and investigation services provided by OMAFRA. In the current year, legal and investigation services amounted to \$4,538 (2022 – \$6,598) and are included in expenses on the Statement of Operations and Fund Balance.

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, 2023, 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, 2023, 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 2022-23 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.

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
January 25, 2024

Jeremy Blair, CPA, CA, LPA
Assistant Auditor General