

Livestock Financial Protection Board
2023-24 Annual Report

Table of Contents

Message from Chair 3

About the Board 6

Operational performance and activities 10

Analysis of financial performance 13

Financial position..... 15

Performance measures and targets 17

Appendix 1: History of Claims up to March 31, 2024. 19

Appendix 2: History of Claims Recovered 20

Appendix 3: Audited Financial Statements for year ending March 31, 2024. 21

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, 2024.

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 maintain a healthy and stable funding ratio.

The following are some highlights for the 2023-24 fiscal year:

- The Fund remained actuarially sound with a balance of \$9.694 million (which is an increase of \$486,774 from the 2022-23 fund balance);
- Investment income of \$478,981 primarily due to the increase in investment rates in fiscal 2023-24;
- Rate of return on investment of 5.66%; and
- Continued to work with the Ontario Ministry of Agriculture, Food and Agribusiness (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
 - formerly the Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA) for the period addressed by this Annual Report.

In 2023-24, there were no claims received for the Board to adjudicate regarding non-payment from licensed dealers and/or producers. There were no claims payments made for previous claims from the Fund in 2023-24. 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. 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. The next actuarial study is planned for 2026-27. The Board will assess any need to move this up following the approval and proclamation of the new legislation.

Since 2019, the ministry has lead a review of Ontario's legislation governing the Financial Protection Programs (Grain Financial Protection Program and the Ontario Beef Cattle Financial Protection Program). As a result of consultations with industry stakeholders, new legislation, the *Protecting Farmers from Non-Payment Act (Regulating Agricultural Product Dealers and Storage Operators)*, 2023 was passed in Spring 2023, but is not yet operational. Subject to the Minister's direction, the Ministry is targeting a late Winter 2025 effective date for proclamation of the new statute and the new regulations under the Act coming into effect. The Ministry consulted with stakeholders (including the Board) on the proposed regulatory change in summer and Fall 2023. Once changes are finalized and approved, the ministry will discuss with the Board any changes that may impact it which may then in turn be incorporated into the Board's 2024-25 annual report and its 2025-28 business plan. The Board is currently operating under the *Farm Products Payments Act*, R.S.O. 1990, c. F.10 (FPPA) until the new Act is proclaimed and the new regulations are approved and operationalized per the Minister.

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 Agribusiness (the Minister), through the Chair, for setting goals, objectives, and the strategic direction. It operates under the authority of the *Farm Products Payments Act*, R.S.O. 1990, c. F.10 (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 OMAFRA 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 OMAFA.

Effective August 30, 2022, the Board Chair and Minister affirmed the continued use of the existing MOU (that was effective June 5, 2017). Updates or changes to the MOU may be required as a result of the legislative and proposed regulatory changes. 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 Letter of Direction

In October 2022, the Minister of Agriculture, Food and Rural Affairs sent the 2023-24 letter of direction to the Board Chair setting out the Ontario government and the Minister's expectations of the Board. The Ontario government wide expectations are addressed in the annual attestation memo sent to the Minister. The Board's 2023-2026 business plan addresses the Minister's expectations specific to the LFPB for 2023-2024 and are reported on below.

Minister's expectations	Grain Financial Protection Board's results
Ensure that a strategic focus on the financial soundness of the Fund for Livestock Producers is prioritized including using the results of the recently completed actuarial report to guide your sustainability strategies, and providing ongoing oversight of AgriCorp as it pertains to its role in managing assets LFPB is accountable for.	The 2021-22 actuarial review results recommended that the check-off fee be increased in the near future. The Board discussed these recommendations with stakeholders on December 8, 2022. The Board sent a letter to the Minister respectfully recommending a change in the check-off fee from \$0.10 to \$0.30 per head sold based on the results. Check-off fees are set under a Minister's Regulation. Therefore, any changes to the check-off fee would require Minister's approval. The recommendation to increase the check-off fees is being addressed as part of the regulations through the financial protection program review. Annually, the Board approves the budget as part of their business planning process which includes the OBCFPP administrative costs (licensing, inspection, compliance/enforcement) and services to the LFPB (governance, secretariat and financial services. The Board reviews and approves their financials (i.e. expenses) quarterly and have processes in place should expenses go beyond the annual budget.
Ensure the maintenance of an effective system of internal controls and compliance with applicable	The Board reviews the documentation required under the AAD and the MOU to ensure that it is both understood and that the appropriate documentation is on file to remain in compliance

requirements to promote transparency and accountability. This includes effective oversight of expense management and controls to ensure efficiency and sustainability.	with the AAD and MOU. Legal counsel is available to assist the Board with any needed agreements and regarding claims as required. LFPB's financial statements are audited annually by the Office of the Auditor General of Ontario (OAGO). For the 2023-24 fiscal year an unqualified audit opinion was received. Review and analysis occurs on a monthly basis, Quarterly financial reports are reviewed by a financial manager and Controller (as part of a third-party service provider to the LFPB) who reports to the Board through the Board Chair. In 2023-24, the Board met all obligations and timelines under the AAD and provided this assurance to the Minister through the annual agency attestation in February 2024. See pages 18-19 for details.
Measure and communicate to stakeholders 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.	The Board participates in meetings with stakeholders as required, generally every two to three years or more frequently, as needed. The last meeting was held in December 2022, which focused on the results of the 2021-22 actuarial study. The Board shared the 2022-23 Annual Report, the 2022-23 audited financial statements of the Fund and the 2024-27 Business Plan with stakeholders following Minister approval. The Board has an established Statement of Investment Policy that was reviewed, updated and approved by the Board at the September 18, 2023 meeting.
Continue to investigate and adjudicate all claims in a fair, equitable and timely manner with a focus on reducing burden and improving the customer service experience. Expect the Board to make decisions on claims based on prudent and consistent adherence to established operational procedures, as well as effective customer service in supporting Ontario farmers with the processing of claims and ensuring that the adjudication process is fair and has minimal delays.	The Board annually reviewed their claim adjudication guidelines and has established operational procedures (training materials) to assist with the processing of claims. Claim adjudication training is provided to members prior to the board adjudicating claim(s) to provide all members with an overview of the claims adjudication guidelines and end-to-end process. These tools assist the Board to ensure that the adjudication process is fair and has minimal delays. The Board did not receive any claims to adjudicate in the 2023-24 fiscal year. See Appendix 1 for a history of claims.
Continue to engage with the ministry, as needed, to support the implementation of recommendations made through the review of the Financial Protection Programs to update/ modernize Board governance/ powers and procedures, among other things.	Since 2019, the ministry has lead a review of Ontario's legislation governing the Financial Protection Programs (Grain Financial Protection Program and the Ontario Beef Cattle Financial Protection Program). New legislation, <i>Protecting Farmers from Non-Payment Act, 2023</i>, was passed in Spring 2023 as a result of the consultation with industry stakeholders including the Board. It is not yet operational. The Board participated in these consultations (Summer/ Fall 2023) and provided feedback on proposed changes with a view to ensure that livestock producers continue to have access to stable risk

	management tools. Subject to the Minister's discretion, the Ministry is targeting a late Winter 2025 effective date for proclamation of the new statute and the new regulations under the Act.
Support government priorities to modernize program delivery and drive agri-food sector innovation and resilience by using their lenses to inform the board's operational decisions and supporting ministry policy-development, as required, by leveraging the industry knowledge/expertise of its members.	The Board is made up of stakeholders with extensive knowledge of the livestock industry and continues to make itself available to support government priorities as required. As an example, the Board has been working with ministry to support the modernization of the financial protection programs.

The Board has aligned its priorities and strategic approach to support the Minister's letter of direction and achieved the following in the 2023-24 fiscal:

- Ensured the processing of claims is completed fairly and with minimal delays.
- Annually reviewed the performance of the Fund against established targets and communicated the Board's annual audited financials and annual report to stakeholders following Minister's approval of the annual report.
- Effective oversight, risk management and expenditure management of the Fund (e.g. use tactics such as an actuarial review; annual agency attestation).
- Worked with OMAFA to support the review of the Financial Protection Programs and to identify opportunities to ensure that livestock producers and dealers have access to stable risk management tools.
- Met all AAD provisions and requirements (i.e. agency attestation).

Board structure

Amendments to O. Reg. 560/93 (Fund for Livestock Producers) under the FPPA, 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., a per diem) based on their role, as outlined in the AAD. These are paid by OMAFA and not from the Fund. A summary of each member's 2023-24 remuneration (not including travel expenses), as provided by OMAFA is noted below and is based on when they were submitted and processed.

In 2023-24 fiscal year, there were no changes to the membership. As of March 31, 2024, there are eight active, part-time members, including the Chair and Vice-Chair.

The Board continues to monitor its appointed positions and to act proactively to make recommendations to ensure it has the appropriate governance in place to fulfill its mandate. The table below shows the appointed members and the term of their appointments for the fiscal year 2023-24 (as of March 31, 2024).

Position	Member name	Organization	Tenure	2023-24 Remuneration
Chair	Paul Sharpe	Beef Farmers of Ontario	02-Dec-2017 – 31-Mar-2025 (Chair since April 2022)	\$1,230.74
Vice Chair	Jennifer Haley	Veal Farmers of Ontario	06-Oct-2008 – 7-Apr-2025 (Vice-Chair since April 2022)	\$690.00
Member	Don Gordon	Dairy Farmers of Ontario	17-June-2021 – 16-June-2024	\$504.00
Member	Daphne Nuys-Hall	Meat & Poultry Ontario	13-Dec-2021 – 12-Dec-2024	\$420.00
Member	Howard Greig	Ontario Livestock Dealer's Association	06-Mar-2019 – 05-Mar-2025	\$588.00
Member	Cindy Ferraro	Ontario Livestock Auction Markets Association	3-Feb-2023 – 2-Feb-2026	\$336.00
Member	Blair Williamson	Beef Farmers of Ontario	28-Feb-2020 – 27-Feb-2026	\$588.00
Member	Amanda Hammell	Direct Minister's Appointment	9-Mar-2023 – 8-Mar-2026	\$168.00

Board staff / support

The Board does not have its own staff. Effective April 1, 2023, the Board has entered into a delivery agreement with Agricornp and OMAFA. It is in effect until March 31, 2028.

- 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 to the Board by the Ministry of the Attorney General, Civil Law Division, OMAFA Legal Services Branch. Counsel provides the Board with privileged and 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.

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

Operational performance and activities

The Board's activities are geared towards fulfilling its mandate. The Board held a total of four meetings in the 2023-24 fiscal year (compared to six the previous fiscal): one hybrid meeting (in-person and virtually), two on-line (Teams conference call) and one email discussion/ approval that focused on:

- reviewing and approving quarterly financial statements;
- business planning and risk assessment;
- reviewing and making investment decisions;
- continuing to support the ministry's review of the financial protection program by participating in industry consultation session; and
- reviewing and updating the Board's investment policy.

The Office of the Auditor General conducts an annual audit of the accounts and financial transactions of the Board. The audit of the 2023-24 fiscal year was completed in March 2025 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 OMAFA to Agricorp:

Since January 2019, Agricorp has been delivering certain aspect of the Program. There were certain aspects that needed to be transitioned from OMAFA'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 OMAFA had a phased approach to transition these services and collaborate on processes during this phase. The one-time expenses to transition these Program activities to Agricorp were expenses to the Program/ Board which is reflected in the financial position/ table (see Page 15 for details).

The implementation of the transition occurred in 2021-22 and 2022-23 fiscal years and was completed as of April 2023. 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, OMAFA's Director in AHWB was appointed the Director under the LLPA. Now that these activities have transitioned to Agricorp, these services will be expensed to the Program/ Board (previously being covered by OMAFA). Updates on the transition were provided to the Board at their meetings.

Actuarial review:

The results from the actuarial review conducted in 2021-22 fiscal year indicated that the Fund surplus position is decreasing if the check-off fee remains at 10 cents per head. It was recommended that in order to maintain a stable Fund surplus position an increase in check-off fee would be required. The Board presented and discussed the actuarial review results to stakeholders in December 2022 and following stakeholder support, sent a letter to the Minister recommending a change in the check-off fee to 30 cents per head. Check-off fees are required pursuant to a Minister's Regulation under the FPPA and therefore any changes to the check-off fee would require Minister's approval. The recommendation to increase the check-off fee is being addressed as part of the regulations through the financial protection program review.

The Board will continue to monitor the Fund against the target levels to ensure they are growing or maintained at an appropriate level.

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

Review of the Board's Statement of Investment Policy (SIP)

In 2023-24 fiscal year, the Board completed a review and approved updates to their SIP. The content is similar to the Board's previous SIP (most content was unchanged), however the format of the SIP was updated to align with other agencies investment policies that are similar to the LFPB. The SIP meets the principles and requirements per the MOU and *Trustees Act*. The Board will continue to review this policy annually.

A review of the Financial Protection Programs:

Since 2019, the ministry is leading a review of Ontario's legislation governing the Financial Protection Programs (Grain Financial Protection Program and the Ontario Beef Cattle Financial Protection Program). New legislation, "*Protecting Farmers from Non-Payment Act*", was passed in Spring 2023 (after consultation with industry stakeholders), but is not yet operational. Subject to the Minister's direction, the Ministry is targeting late Winter 2025 for proclamation of the new statute and the new regulations under the Act to come into effect. The Ministry consulted with stakeholders (including the Board) on proposed regulatory change in summer and fall 2023. Once changes are finalized and approved, the ministry will discuss with the Board any changes that may impact the Board which may then be incorporated into the Board's annual report and business plan. The Board is currently operating under the FPPA until the new Act is proclaimed and the Regulations are approved and operationalized per the Minister.

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 OMAFA'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 2023-24, 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 2023-24. This compares to the previous fiscal year (2022-23) where the Board also received no claim applications regarding non-payment from licensed dealers. Details on the Board's history of claims can be found in Appendix 1: History of 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 claim 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 2023-24. The Board will continue to make every reasonable attempt to collect/ recover monies that are owed to the Fund.

Analysis of financial performance

Since January 1, 2020, as part of the new Minister's regulation, O. Reg. 467/19: Boards' Payment of Expenses, the Board have been required to pay for all expenses relating to the administration of both the FPPA (expenses related to fund management and claims adjudication) and the LLPA (expenses relating to licencing and compliance/ enforcement). These expenses are reflected in this annual report.

The Office of the Auditor General of Ontario conducts an annual audit of the Board's financial statements. The audit for the 2023-24 fiscal year was completed in March 2025. The LFPB's fiscal year is April 1 to March 31.

Overall, the revenue generated in 2023-24 covered the expenses and there were no claims in the 2023-24 fiscal year. The balance of the Fund at the beginning of the fiscal year was \$9.207 million and at the end of fiscal year 2023-24 it was \$9.694 million, an increase of \$486,774 from the 2022-23 fund balance, primarily due to revenue received from investment interest, due to higher rates in 2023-24 fiscal. The Fund continues to maintain the minimum target 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: from producer check-off fees; and interest income earned from investments.

Total revenue for the Fund for fiscal 2023-24 was \$681,567 (excluding any claim recovery), compared to \$567,655 in 2022-23 (excluding any claim recovery). The increase from the previous year is due to increased investment income over the prior year that has provided a higher rate of return.

The amount of money earned by the Fund from check-off fees was \$202,586 for 2023-24 fiscal year compared to \$200,627 for the 2022-23 fiscal year, resulting in a minimal increase year over year.

Interest income on investments totaled \$478,981 for the 2023-24 fiscal year, compared to \$367,028 in 2022-23. 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 includes investments that guarantee face value at redemption; generally, this includes Guaranteed Investment Certificates (GICs) issued by financial institution or similar financial instruments.

Currently, the Board's investments include 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 renewed in December 2022 for a 4-year term with prepayment option after year 2 or 30-months, earning 6% interest (an increase of 1% from the previous agreement) paid semi-annually.

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 5.66% (which is 1.02% higher than the rate of return in 2022-23 fiscal year).

Expenses

Since January 1, 2020, the Board have been responsible to pay for all expenses relating to the administration of the program under the LLPA (licensing and compliance/ 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. Although the Board is required to pay all program expenses from the Fund, they have no authority for licensing of livestock dealers. Prior to the coming into force of the amended regulation, the Ministry and the Board each paid a portion of the expenses.

As well, since April 1, 2020, the Board began 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 Board's legal and investigative services expenses in 2023-24 were \$6,006, compared to \$4,538 in 2022-23 (comparable expense to the previous year). The expenses were related primarily due to debt recovery efforts from claims paid prior to 2022.

The expenses in 2023-24 for financial responsibility review and licensing expenses were \$157,297. This is compared to \$264,954 in 2022-23. The variance in expenses year over year is due to the one-time transition expenses to transition the remaining Program activities to Agricornp which are billed to the Program/ Board.

As part of the transition of remaining Program activities from OMAFA to Agricornp, there were one-time implementation 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 were no one-time transition expenses in 2023-24 fiscal year as the transition was complete as of April 2023.

As the administrative Program activities transitioned to Agricornp 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 OMAFA). 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 lower in 2023-24 due to less administrative effort, due to less board meetings held compared to the previous year.

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

The total operating expenses for 2023-24 fiscal year were \$194,793 compared to \$305,576 in 2022-23. This is a \$110,783 variance from the previous year expenses due to the one-time transition expenses.

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 Agricornp; and
- Legal and Investigation services are paid to OMAFA.

Financial position

The table below shows the budget to actual and the variance between the 2022-23 and 2023-24: fiscal years.

	Budget 2022-23	Actual 2022-23	Variance to budget	Budget 2023-24	Actual 2023-24	Variance to budget
Revenue						
Fees	\$205,000	\$200,627	\$4,373	\$204,000	\$202,586	(\$1,414)
Interest	\$297,000	\$367,028	(\$70,028)	\$463,000	\$478,981	\$15,981
Total revenues excluding claim recoveries	\$502,000	\$567,655	(\$65,655)	\$667,000	\$681,567	\$14,567
Expenses						
Governance and secretariat Service	\$93,000	\$36,084	(\$56,916)	\$93,000	\$31,490	(\$61,510)
Financial Service						
Financial responsibility review & licensing (see Note 1 and 2 below)	\$279,000	\$264,954	(\$14,046)	\$350,000	\$157,297	(\$192,703)
Legal services & Investigation	\$20,000	\$4,538	(\$15,462)	\$18,000	\$6,006	(\$11,994)
Professional Fees (actuarial review)	\$0	\$0	\$0	\$0	\$0	\$0
Total expenses excluding claims paid	\$392,000	\$305,576	\$86,424	\$461,000	\$194,793	(\$266,207)
Net Balance (Total Revenue – Total Expenses; excluding claims)	\$110,000	\$262,079	(\$152,079)	\$206,000	\$486,774	(\$280,774)
Claims paid	\$238,000	\$0	(\$238,000)	\$377,000	\$0	(\$377,000)
Recoveries	\$0	\$0	\$0	\$75,400	\$0	(\$75,400)
Claims Net Balance (Claims paid – Recoveries)	\$238,000	\$0	(\$238,000)	\$301,600	\$0	(\$301,600)
Fund Balance (beginning of year)	\$8,966,262	\$8,944,990	\$21,272	\$9,207,069	\$9,207,069	\$0
Net Balance (including Claims Net Balance)	(\$128,000)	\$262,079	\$134,079	(\$95,600)	\$486,774	(\$391,174)
Fund Balance (end of year)	\$8,838,262	\$9,207,069	(\$368,807)	\$9,111,469	\$9,693,843	(\$582,374)

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: The financial responsibility review & licensing actual expenses in 2022-23 includes the one-time expense costs as related to the transition of the remaining Program activities from OMAFA to Agricorp (which was \$81,944 in 2022-23).

Performance measures and targets

In its 2023-26 Business Plan, the Board identified several key priorities for action. Below is a brief summary of key accomplishments regarding each of these priorities in the 2023-24 fiscal year showing 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 2023-24	Targets achieved/not achieved and action to be taken
Unqualified audit opinion from the annual audit	Achieved	Ongoing	Achieved March 2025.
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 \$9.694 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. Next study is planned for approximately 2026-27.
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: investment policy was reviewed in September 2023. The rate of return on investment was 5.66% in 2023-24. • 4.64% in 2022-23 • 5.0% in 2021-22 • 3.76% in 2020-21.
Stakeholders informed of Boards finances via annual inserts (i.e., 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	Not applicable. No claims were adjudicated by the Board in 2023-24.
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	Not applicable. No claims were adjudicated by the Board in 2023-24.
Number of judicial reviews where the court ruled against the Board's decision	0	0	Not applicable. No claims were adjudicated by the Board in 2023-24.

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 <i>FPPA</i>	Ongoing	Not applicable. No claims were adjudicated by the Board in 2023-24.
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. 2022-23 Annual Report was submitted to Minister through the OMAFA liaison on February 16, 2024, within 90-days of completing the financial audit (January 25, 2024) thereby meeting the AAD requirements.
Business Plan submitted to the Ministry	Annually	March 2024	Achieved. 2024-2027 Business Plan was submitted on March 1, 2024 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 February 16, 2024 meeting the ministry submission timeline.

Appendix 1: History of Claims up to March 31, 2024.

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	\$ -	\$ -
2024	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	\$ -
2024	\$ -
Total Recovered	\$ 3,749,120.00

Financial Statements of

Livestock Financial Protection Board
(Fund for Livestock Producers)

Year Ended March 31, 2024

Financial Statements of

Livestock Financial Protection Board
(Fund for Livestock Producers)

Year Ended March 31, 2024

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 (Mar 3, 2025 15:11 EST)

Becky Philpott
Chief Financial Officer, Agricorp

Aron Nonkes
Aron Nonkes (Mar 3, 2025 14:30 EST)

Aron Nonkes
Controller, Agricorp

March 3, 2025

Independent Auditor's Report

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

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, 2024, 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, 2024, 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 2023-24 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.

I obtained the Board's 2023-24 Annual Report prior to the date of this auditor's report. 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.

A handwritten signature in black ink, appearing to read "Jeremy Blair". The signature is fluid and cursive, with the first name "Jeremy" and last name "Blair" clearly distinguishable.

Toronto, Ontario
March 3, 2025

Jeremy Blair, CPA, CA, LPA
Assistant Auditor General

Livestock Financial Protection Board
(Fund for Livestock Producers)
Statement of operations and fund balance
Year ended March 31, 2024

	2024	2023
Current assets		
Cash	\$ 1,333,490	\$ 824,215
Recovery receivable	-	-
Short-term investments (note 4)	342,449	1,001,833
Mortgage receivable - current portion (note 5)	73,187	73,187
Total current assets	1,749,126	1,899,235
Long-term investments (note 4)	4,057,889	3,373,769
Mortgage receivable - long-term (note 5)	4,000,000	4,000,000
Total assets	9,807,015	9,273,004
Liabilities		
Accounts payable	113,172	65,935
Total liabilities	113,172	65,935
Fund balance	9,693,843	9,207,069
Liabilities and fund balance	\$ 9,807,015	\$ 9,273,004

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, 2024

		2024	2023
Revenue			
Fees	\$	202,586	\$ 200,627
Interest income		478,981	367,028
Claim recoveries (note 6)		-	-
Total revenue		681,567	567,655
Expenses			
Financial responsibility review, licensing and enforcement (note 8)		157,297	264,954
Governance and secretariat		15,132	16,107
Financial services		16,358	19,977
Legal and investigation		6,006	4,538
Claims paid (note 6)		-	-
Total expenses		194,793	305,576
Excess of revenue over expenses		486,774	262,079
Fund balance, beginning of year		9,207,069	8,944,990
Fund balance, end of year	\$	9,693,843	\$ 9,207,069

See accompanying notes to financial statements

Livestock Financial Protection Board
(Fund for Livestock Producers)
Statement of cash flows
Year ended March 31, 2024

	2024	2023
Operating Activities		
Excess of revenue over expenses	\$ 486,774	\$ 262,079
Non-cash items		
Increase in accrued interest	(2,736)	(81,403)
Working Capital		
Decrease in recovery receivable	-	50,000
Increase (decrease) in accounts payable	47,237	(200,413)
Cash provided from operating activities	531,275	30,263
Investing Activities		
Purchase of investments	(1,022,000)	(3,300,000)
Proceeds from investments	1,000,000	2,300,000
Cash used by investing activities	(22,000)	(1,000,000)
Increase (decrease) in cash	509,275	(969,737)
Cash, beginning of year	824,215	1,793,952
Cash, end of year	\$ 1,333,490	\$ 824,215

See accompanying notes to financial statements

Livestock Financial Protection Board

(Fund for Livestock Producers)

Notes to the financial statements

Year ended March 31, 2024

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. Adoption of new accounting standard – PS 3400, *Revenue*

On April 1, 2023, the Board adopted a new accounting standard, Public Sector Accounting Standards Section 3400, *Revenue*. This standard establishes how to account for and report common types of revenues in the public sector that are not addressed in an individual standard in the Public Sector Accounting Handbook. Specifically, this new standard differentiates between revenue arising from transactions that include performance obligations ('exchange transactions') and transactions that do not have performance obligations ('non-exchange transactions'). The Board applied the requirements of the standard retroactively. The implementation of the new standard had no material impact on the recognition or measurement of the Board's revenues. As such, the opening balance as at April 1, 2023 has not been restated.

3. 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

Livestock Financial Protection Board
(Fund for Livestock Producers)
Notes to the financial statements
Year ended March 31, 2024

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

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. Fees from producers are earned and recognized once the sale of livestock has occurred and give rise to the related fee under the Act.

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.

4. Investments

	Fair Value Hierarchy		2024	2023
Short-term (<1 year)				
Financial institutions - GICs	Level 2	\$	342,449	\$ 1,001,833
Total short-term			342,449	1,001,833
Long-term (1 - 5 year)				
Financial institutions - GICs	Level 2		4,057,889	3,373,769
Total long-term			4,057,889	3,373,769
Total investments		\$	4,400,338	\$ 4,375,602

The Fund's portfolio has interest rates ranging from 4.60% to 5.54% (2023 – 2.23% to 5.16%) with maturities ranging from March 2025 to March 2027 (2023 – March 2024 to October 2026).

Livestock Financial Protection Board
(Fund for Livestock Producers)
Notes to the financial statements
Year ended March 31, 2024

5. Mortgage receivable

The Mortgage receivable is on development lands in the City of Kitchener, Ontario bearing interest at 6% (2023 – 6%) 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, 2024 amounts to \$73,187 (2023 – \$73,187) 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.

6. Claims

There were no claims paid or claim recoveries in 2024 (2023 - \$nil).

7. 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, 2024

8. 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 \$188,245 (2023 – \$218,669) 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 \$nil (2023 – \$81,944) 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 \$6,006 (2023 – \$4,538) and are included in expenses on the Statement of Operations and Fund Balance.