

**Grain Financial Protection Board
2021-2022 Annual Report**

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Message from the Chair

On behalf of the Grain Financial Protection Board (GFPB), we are pleased to present to you the Annual Report for the fiscal year ending March 31, 2022.

The vision of the Board is to protect the financial interests of Ontario producers who have sold grain corn, soybeans, wheat, and canola, and owners who stored grain with elevator operators. This is directly linked to one of the Ministry's goals of ensuring the sustainability of agriculture in Ontario.

The Grain Financial Protection Program (GFPP or program) was introduced in the mid-1980's following a series of grain elevator bankruptcies. The GFPP consists of two components:

1. The annual licensing of grain dealers and elevator operators under the *Grains Act*. Agricorp is under contract with OMAFRA to administer the program.
2. The administration of the Funds.

The Board is responsible for the administration of the Funds. All income held in the Funds comes from producer check-off fees and investment income. The purpose of the Funds is to provide producers/owners with financial compensation in the event that a dealer or elevator operator defaults on their obligation or if there is a storage shortfall.

The Board continued to focus on managing the Funds to ensure sustainability and providing grain farmers with an effective risk management tool.

The Board conducted an annual review on the performance of the Funds. The balances and growth rates are compared to the recommendations in the 2011 and 2016 actuarial reports. As of March 31, 2022, all of the Funds have met the established target balances.

In the 2021-22 fiscal year, the Board conducted an actuarial review in line with its good governance practices to complete a review approximately every five years. This initiative involved a third-party vendor, to determine how potential claim payments and/or expenditures may impact the Funds. Given the changes in the cost-share model that occurred in 2020 and the increased program delivery costs coming out of the Funds, it was a good time for an actuarial review to examine any impact to the Funds. The last actuarial review occurred in 2016-17 fiscal year. The Board reviews and monitors the soundness of all the Funds on an annual basis and reviewed the results from this actuarial review in February 2022, discussing them with stakeholders and targeting 2022-23 fiscal year to making recommendations to the Minister if needed on the overall soundness of the Funds.

The next actuarial review is planned for 2026-27 fiscal year as it is a good governance practice to complete a review approximately every five years.

There were no claims received in 2021-22 to adjudicate and no dollars paid for claims from the Funds.

The Board worked with the Minister of Agriculture, Food and Rural Affairs throughout the year on appointing members to the Board. In 2021-22, three members were reappointed to the board for an additional 3-year term each and one member's term expired, bringing the compliment to 12 part-time members at fiscal year end. For a list of the board members for the 2021-22 fiscal year, go to page 9 of this report.

Looking ahead to 2022-23, the Board has submitted 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 Funds as we continue to meet our mandate.

Respectfully submitted,

Dave Battenham
Chair, Grain Financial Protection Board

Governance

The Grain Financial Protection Board (Board) was established in 1985 and is classified as a Board-Governed Provincial Agency under the *Agencies and Appointments Directive* (AAD) as it “administers funds or other assets for beneficiaries named under statute”.

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 for the Board. It operates under the authority of the *FPPA* and in accordance with the Memorandum of Understanding (MOU) between the Minister and the Chair.

The Board’s mandate, strategies and activities have always been focused on prudent management of the Funds to ensure that financial compensation is available to grain corn, soybean, wheat, and canola producers/owners when required. The Board’s mandate of administering the Funds, investigating, granting or refusing claims, and recovering money is directly linked to one of the Ministry’s goals of promoting the sustainability of agriculture in Ontario.

Memorandum of Understanding

The MOU reflects the relationship between the Grain Financial Protection Board and Ontario Ministry of Agriculture, Food and Rural Affairs (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 OMAFRA.

Effective December 2, 2021, the Chair and Minister affirmed the existing MOU (that was effective June 5, 2017). The MOU will be effective until it is revoked or a new MOU is signed by the Parties.

Board mandate, objectives and activities

The Board's primary focus is on the prudent management of the Funds and preparing for claims when they occur. The Board remains current on the claims procedure and is prepared to adjudicate claims when required. New Board members complete claims adjudication training which includes an overview of the claims adjudication guidelines. The Board makes decisions on claims based on the evidence and the law and, if applicable, payments to producers and owners are made after the Board has approved a claim.

Mandate

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

- *Ontario Regulation 70/12 (Payments From Funds For Grain Producers)*
- *Ontario Regulation 321/11 (Fees Payable to Boards)*
- *Ontario Regulation 467/19 (Boards' Payment of Expenses)*

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

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 this Act and to determine the extent of their validity;*
- (c) to grant or refuse the payment of claims or any part thereof and determine the amounts and manner of payment;*
- (d) to recover any money to which it is entitled under this Act 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

The Board Chair received the 2021-22 mandate letter from the Minister which outlined high-level, achievable expectations for the fiscal year. The Board has aligned its strategic approach and priorities to support these as follows:

- Ensure long-term sustainability and effective oversight, risk management and expenditure management of the Funds (e.g. use tactics such as an actuarial review).
- Support transparency and accountability by meeting all AAD provisions and requirements and identifying appropriate skills, knowledge and experience needed to support agency governance and accountability (i.e. agency attestation).
- Continue to support improved customer service by measuring and communicating the performance of the Funds to stakeholders.
- Continue to investigate and adjudicate claims in a fair and equitable manner.
- Continue to support the ministry's review of the financial protection programs to ensure they are aligned with the current agricultural risk management landscape and sector trends.

To assist the Board with achieving its mandate and the Minister's, they have established goals with corresponding objectives and activities. For 2021-22, the Board established the following five goals with results reported:

1. **Long-term sustainability of the Funds** - The Board has hired Agricorp for the day-to-day administration of the Funds; however, the Board is ultimately responsible for the oversight and management of the Funds. The Board annually measures the performance of the Funds against established targets and for 2021-22 the four Funds continue to meet the minimum target balances. The Board has an established *Statement of Investment Policy* (SIP) that is reviewed annually. The annual review of the SIP was deferred from the fall of 2021-22 until the actuarial review was completed. Staff will complete a review early in 2022-23 fiscal and bring forward for the Board's review and approval although based on feedback from the actuarial review, no changes are anticipated to the Board's SIP.

In line with good governance practice, the Board had a third-party vendor conduct an actuarial review in 2021-22 fiscal year. Results from this actuarial review will be discussed with stakeholders and target 2022-23 fiscal year to make recommendations to the Minister, if needed, on the overall soundness of the Funds.

2. **Maintain an adjudication process that is simple, fair and accessible with minimal delays** - The Board has approved claim adjudication guidelines and has established operational procedures to assist with the processing of claims. These tools assist the Board to ensure that the adjudication process is fair and has minimal delays. In 2021-22, board members completed claims adjudication training and/or refresher, which included an overview of the claims adjudication guidelines and end-to-end process for claims. The Board received no claim applications in the 2021-22 fiscal year. See Appendix 1 for a history of claims.

3. **Ensure agreements and directives are understood and documentation required under the MOU is in place** –The Board reviews the documentation required under the MOU to ensure that it is both understood and that the appropriate documentation is on file to remain in compliance with the MOU. Legal counsel is available to assist the Board with any needed agreements and regarding claims as required. The Board met all obligations and timelines under the AAD. See page 13-14 for details.

4. **Consultation with Industry Stakeholders** - The Board participates in meetings with stakeholders as required, generally every two to three years or more frequently, as needed.

The Board will inform stakeholders of the results from the 2021-22 actuarial review and will consider the results and recommendations of this review during their business planning period. If there are any recommendations that involve industry (i.e.: remittance fees), the Board will engage OMAFRA and stakeholders for further discussion.

The Board continues to support the ministry's review of the financial protection programs by participating in discussions.

5. **Ensure a high-performing Board** – The Board regularly reviews tenures of members and works with OMAFRA and stakeholder groups to seek recommendations of qualified

candidates for appointments to the Board. The Board also maintains an orientation manual and provides new members with training. This year, three members were reappointed and one member's term expired. See page 9 for a list of board members.

Board key activities

The Board held four meetings by video/ conference call (using Teams communication platform) and one e-mail discussion for approval over the 2021-22 fiscal year that focused on:

- reviewing quarterly financial statements;
- business planning and risk assessment;
- reviewing and making investment decisions;
- approve deliverables and independent third party vendor for the actuarial review;
- continuing to support the ministry's review of the financial protection program by participating in industry consultation sessions; and
- reviewing and updating the Board's guidelines and policies including the SIP.

Board staff/ support

The Board does not have staff. The Board has entered into an agreement with Agricorp to provide the Board with Secretariat, Governance and Financial Services support. Staff that provide the services to the Board are not involved in the review and licensing of grain dealers/elevators. These functions are separate to avoid any perception of a possible conflict of interest when supporting the Board in its adjudicating of claims.

In 2017-18, the Board entered into a service agreement with Agricorp for Governance, Secretariat and Financial Support Services for three years, which included an option to extend it for two additional one-year terms. The Board exercised its option to extend the service agreement for one year in 2019, and also extended for one additional year in both 2020 and 2021. In February 2022, the Board agreed to extended the service agreement for another one-year term, with AgriCorp, as it was set to expire March 31, 2022. The extended agreement was signed March 2022 and expires on March 31, 2023.

Legal and investigative services

A Minister's regulation (O. Reg. 467/19) made under the *FPPA* requires the Board to pay legal and investigative costs effective April 1, 2020 (except costs related to any judicial reviews to the Divisional Court of the Board's decisions on claims and any appeals beyond). The Board continues to use the ministry to support its legal and investigative services.

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

Investigative services are provided by the Regulatory Compliance Unit (RCU) within OMAFRA's Food Safety & Traceability Programs Branch for the Board upon request.

About the Board

Board structure

The *Farm Products Payments Act (FPPA)* requires that the Board be composed of no fewer than five members appointed by the Minister. Board members are generally appointed for terms of two or three years and may be reappointed.

The membership of the Board has been traditionally comprised of dealer and producer nominees from the grain industry: Ontario Canola Growers' Association, the Ontario Agri Business Association and the Grain Farmers of Ontario. All members, including the Chair and the Vice Chair positions, are filled by the Minister's appointment. The Board continued to work collaboratively with the Minister and stakeholders to address upcoming vacancies.

In 2021-22, three members were reappointed to the Board for 3-year terms, and one member's term expired. The Board continues to monitor its vacancies and act proactively to make recommendations to ensure it has the appropriate governance in place to fulfill its mandate.

Listed below are the appointees for the fiscal year 2021-22 (April 1, 2021 to March 31, 2022).

Member Name	Position	Tenure
Dave Bутtenham	Chair	22-Mar-2011 – 17-Sept-2023
Henry Van Ankum	Vice Chair	19-Apr-2012 – 30-Aug-2022
Markus Haerle	Member	29-Jun-2015 – 01-Jan-2022
Jennifer Macdonald	Member	13-Mar-2017 – 02-Mar-2023
Paul Hazzard	Member	21-Aug-2020 – 20-Aug-2023
Lindsay Menich	Member	27-Oct-2017 – 26-Oct-2023
Nadine Schwandt	Member	27-Oct-2017 – 26-Oct-2023
Ron Campbell	Member	29-Jan-2018 – 04-Feb-2024
Tyler McBlain	Member	21-Aug-2019 – 20-Aug-2024 *reappointed in Aug 2021
Jeff Barlow	Member	28-Mar-2022 – 27-Mar-2025 *newly appointed in March 2022
Keith Black	Member	28-Mar-2022 – 27-Mar-2025 *newly appointed in March 2022
Jeff Harrison	Member	22-May-2019 – 21-May-2025 *reappointed in March 2022
Jennifer Doelman	Member	26-Jun-2019 – 25-Jun-2025 *reappointed in March 2022

Operational performance

The Board is focused on effectiveness, efficiency, and reliability.

The Office of the Auditor General conducts an annual audit of the accounts and financial transactions of the Board. The audit of the 2021-22 fiscal year was completed in December 2022 with an unqualified opinion. The Funds (grain corn, soybean, wheat and canola) continue to meet the minimum target balances as outlined in the 2011 and 2016 actuarial reports.

Recommendations from the Board's actuarial review to determine how potential claim payments and/or expenditures may impact the Funds were shared in February 2022 and the Board will consider the results and recommendations of that review in the 2022-23 fiscal year. The Board will continue to monitor all the Funds annually and make the appropriate changes as needed.

Effective January 1, 2020, the Board and industry have been required to pay for all program delivery costs (licencing, enforcement, fund management and claims adjudication) as part of the new Minister's regulation (O. Reg 467/19: Boards Payment of Expenses) made under the FPPA related to the administration of the *Grains Act*. Although the Board is required to pay all administrative program expenses, they have no authority for licencing and enforcement under the *Grains Act*.

As well, effective April 1, 2020, the Board began to pay investigative and most legal costs under the FPPA associated with the adjudication of claims. The Board is not required to pay expenses related to judicial reviews of its decisions. The Board continues to use the Ministry to support its legal and investigative services. This change resulted in an increase in Board expenses as of January 1st (2020-21 reflects a full year of the Board paying for all administrative program delivery costs and 2021-22 the Board paying for all investigative and legal costs).

Ontario's 2019 budget committed the government to a review the financial protection programs to ensure that grains (and beef cattle) producers have access to stable risk management tools that provide the confidence to invest in and grow their businesses. These discussions began in 2019 and were put on hold in 2020 due to COVID-19. The Ontario Ministry of Agriculture, Food and Rural Affairs' (OMAFRA) Farm Finance Branch (FFB) is the policy lead for the program review which resumed in early 2021 and they prepared a comprehensive package of legislative changes based on feedback received from the Board and industry / stakeholders. They are keeping the Board and stakeholders informed on its status.

As part of the review of the financial protection programs, OMAFRA and stakeholders (e.g. Grain Farmers of Ontario, Ontario Canola Growers Association, Ontario Agri-Business Association and Grain Financial Protection Board) agreed to review the terms of reference for the Financial Responsibility Review Committee (FRRC) to assess its continued role in supporting the Program and identify any potential changes in its mandate. Based on feedback from industry stakeholders and Agricorp, it was determined that the FRRC continues to play an important role in supporting the Program.

The Board had previously discussed ways to improve the claims application form and to educate producers on the claims process. It was identified that the customer experience may be improved by exploring opportunities to complete and submit forms electronically. The Board continued to collaborate with Agricorp to redesign and implement a claim form which will be available online with the ability for customers to submit electronically in 2022-23 fiscal year.

Over the past fiscal year, the Board implemented its business plan and has delivered on its goals and objectives. The table on page 12 summarizes the Board's performance targets and results. The Board met or exceeded all of its objectives.

The Board remains compliant with directives, policies and agreements including meeting AAD requirements for the submission of the MOU, Business Plan and Annual Report to the Minister. These documents are translated and publicly posted by OMAFRA on its website following the Minister's approval.

Performance measures and targets

The Board's principal objectives for the fiscal year ending March 31, 2022 were as follows:

1. Maintain a solvent compensation Fund managed in the best interests of grain producers and owners;
2. Conduct adjudicatory proceedings and issue decisions in a fair and timely manner;
3. Grant or refuse claims and seek recovery overpayments; and
4. Ensure that the Board is compliant with directives, policies, and agreements.

The following indicators define the outcomes the Board committed to achieving and are the basis for measuring and evaluating impact:

Performance measure	Baseline	Target 2021-22	Actual 2021-22	Target 2022-23	Target 2023-24	Target 2024-25
Objective 1: To maintain a solvent compensation Fund managed in the best interests of grain owners and producers.						
Annual financial audit achieves an unqualified audit opinion in accordance with Canadian generally accepted accounting principles	Unqualified	Unqualified	Achieved	Unqualified	Unqualified	Unqualified
Minimum Target Fund Balances are maintained as per 2011 and 2016 Actuarial Review.						
• Grain Corn target Fund balance	Minimum Fund balance \$4,600,000 maintained	Minimum Fund balance \$4,600,000 maintained	Achieved: Balance \$6,003,815	Minimum Fund balance \$4,600,000 maintained	Minimum Fund balance \$4,600,000 maintained	Minimum Fund balance \$4,600,000 maintained
• Wheat target Fund balance	Minimum Fund balance \$2,200,000 maintained	Minimum Fund balance \$2,200,000 maintained	Achieved: Balance \$4,469,644	Minimum Fund balance \$2,200,000 maintained	Minimum Fund balance \$2,200,000 maintained	Minimum Fund balance \$2,200,000 maintained
• Canola target Fund balance	Minimum Fund balance \$900,000 maintained	Minimum Fund balance \$900,000 maintained	Achieved: Balance \$1,073,272	Minimum Fund balance \$900,000 maintained	Minimum Fund balance \$900,000 maintained	Minimum Fund balance \$900,000 maintained
• Soybean target Fund balance	Minimum Fund balance \$4,400,000 maintained	Minimum Fund balance \$4,400,000 maintained	Achieved: Balance \$6,339,790	Minimum Fund balance \$4,400,000 maintained	Minimum Fund balance \$4,400,000 maintained	Minimum Fund balance \$4,400,000 maintained
Receipt and review Fund financial statements from Agricorp	Quarterly	Quarterly	Achieved	Quarterly	Quarterly	Quarterly
Objective 2: To conduct adjudicatory proceedings and issue decisions in a fair and timely manner.						

Performance measure	Baseline	Target 2021-22	Actual 2021-22	Target 2022-23	Target 2023-24	Target 2024-25
Claims processed with minimal delays	Claimants notified within 2 calendar days, dealer and elevators within 4 days of receipt of claim	Claimants notified within 2 days, dealer and elevators within 4 days of receipt of claim	Not applicable as there were no claims adjudicated by the Board in 2021-22.	Claimants notified within 2 days, dealer and elevators within 4 days of receipt of claim	Claimants notified within 2 days, dealer and elevators within 4 days of receipt of claim	Claimants notified within 2 days, dealer and elevators within 4 days of receipt of claim
Claims are adjudicated fairly	Claims are reviewed individually, and follow adjudication guidelines established	Claims are reviewed individually, and follow adjudication guidelines established	Not applicable as there were no claims adjudicated by the Board in 2021-22.	Claims are reviewed individually, and follow adjudication guidelines established	Claims are reviewed individually, and follow adjudication guidelines established	Claims are reviewed individually, and follow adjudication guidelines established
Claimants received notification of Board decision	Within 10 calendar days of a Board decision	Within 10 days of a Board decision	Not applicable as there were no decision letters issued as there were no claims to adjudicate in 2021-22.	Within 10 days of a Board decision	Within 10 days of a Board decision	Within 10 days of a Board decision
Objective 3: To grant or refuse claims and to seek recovery of overpayments.						
Claims are reviewed to determine their validity	Board refers to FPPA and uses legal counsel as required to determine validity of claims	Board refers to FPPA and uses legal counsel as required to determine validity of claims	Not applicable as there were no claims adjudicated by the Board in 2021-22	Board refers to FPPA and uses legal counsel as required to determine validity of claims	Board refers to FPPA and uses legal counsel as required to determine validity of claims	Board refers to FPPA and uses legal counsel as required to determine validity of claims
Recover any money to which the Board is entitled to under the <i>FPPA</i>	Legal counsel is consulted when proceeding with any recovery action	Legal counsel is consulted when proceeding with any recovery action	Not applicable as there were no claims adjudicated therefore no payouts from the Funds in 2021-22 to recover.	Legal counsel is consulted when proceeding with any recovery action	Legal counsel is consulted when proceeding with any recovery action	Legal counsel is consulted when proceeding with any recovery action
Objective 4: To ensure that the Board is compliant with directives, policies and agreements.						
Updated MOU in place	Updated as per the <i>Agencies and Appointments Directive</i> section 1.9.1	Updated as per the <i>Agencies and Appointments Directive</i> section 1.9.1 (if applicable)	In December 2021, the Chair and Minister affirmed the existing MOU (effective as of June 5, 2017).	Updated as per the <i>Agencies and Appointments Directive</i> section 1.9.1 (if applicable)	Updated as per the <i>Agencies and Appointments Directive</i> section 1.9.1 (if applicable)	Updated as per the <i>Agencies and Appointments Directive</i> section 1.9.1 (if applicable)

Performance measure	Baseline	Target 2021-22	Actual 2021-22	Target 2022-23	Target 2023-24	Target 2024-25
Submit Annual Report to Minister	Annually	Within 90 days of the agency's receipt of the audited financial statement meeting AAD requirements.	Achieved; met AAD requirement. Report was submitted to Minister through the OMAFRA liaison on February 11, 2022 within 90-days of completing the financial audit (February 1, 2022) thereby meeting the AAD requirements.	Within 90 days of the agency's receipt of the audited financial statement meeting AAD requirements.	Within 90 days of the agency's receipt of the audited financial statement meeting AAD requirements.	Within 90 days of the agency's receipt of the audited financial statement meeting AAD requirements.
Submit Business Plan to Minister	Annually	March 2021	Achieved. Submitted 2022-2025 Business Plan on March 1, 2022.	March 2022	March 2023	March 2024
Submit Quarterly Risk Assessment Report to OMAFRA	Quarterly	Quarterly	Achieved. Submitted to Ministry liaison.	Quarterly	Quarterly	Quarterly
Submit Agency Attestation to Minister (New requirement since 2015-16)	Annually	Annually	Achieved. Submitted to Agency liaison on March 18, 2022.	Annually	Annually	Annually

Analysis of financial performance

The Office of the Auditor General of Ontario finalized an audit of the 2021-22 financial statements in December 2022 and the Board submitted the Annual Report to the Minister shortly thereafter. The GFPB's fiscal year is April 1 to March 31.

Revenue

Revenue from producer check-off fees that are received when a producer sells one of the four commodities, is slightly lower in 2021-22 compared to 2020-21.

Annually, the Board conducts a full review of their investment strategies, including the investigation of alternate strategies, to ensure that returns are maximized within the investment framework. The Board conducts a review of their investment portfolio every quarter as well as when an investment is maturing. The Board makes any changes necessary to ensure that they are maximizing their return on investments.

The Bank of Canada's interest rate dropped in March 2020 to 0.25% and remained unchanged until March 2022 when it was increased to 0.5%. The rate is expected to increase through fiscal 2023. The impact of these anticipated rate increases will not be reflected immediately in the Board's investments as the Board uses a laddering strategy to reduce the influence of interest changes and to maximize returns. The interest earned on investments in 2021-22 provide a lower rate of return by 53 basis points or 22%. The average return on investment in 2021-2022 was 1.85%, as compared to 2.32% in 2020-21. The rate of return for fiscal year 2023 is expected to remain at the same rate or slightly improve for fiscal year 2022.

Total revenue for 2021-22 was \$811,709, compared to \$939,234 in 2020-21. The decrease from the previous year is due to decreased check-off fees as well as reduced investment income.

The Board will continue to monitor the check-off fees and annual growth rate of all four Funds to ensure they continue to meet the targeted Fund balances. All four Funds continue to maintain the minimum target Fund balances as per the 2016-17 and 2021-22 actuarial reviews.

Expenses

The Board continues to effectively manage expenses over the past several years. Since November 2010 and as indicated in the current MOU, the Board is obliged to pay the person or persons who are responsible for determining whether grain dealer license applicants and grain dealer licensees are financially responsible (determining financial responsibility). Agricorp provides these program services.

In 2021-22, there were no claims received to adjudicate and no money paid from the Funds.

The expenses for Governance/ Secretariat Services were slightly higher in 2021-22 compared to 2020-21 due to additional support for the actuarial review (i.e.: support in the procurement process, coordinate with the vendor to provide data requirements and other information as requested which was used for their analysis purpose, etc).

Effective January 1, 2020, as part of the new Minister's regulation (O. Reg. 467/19: Boards Payment of Expenses) made under the *Farm Products Payments Act* (FPPA), the Board and industry 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 *Grains Act* (expenses related to annually determining financial responsibility of dealers, licensing, inspections and enforcement). This change resulted in an increase in Board expenses as of January 1, 2020. The expenses in 2021-22 for determining financial responsibility / licensing and enforcement (program administrative costs) were \$462,312 which is a slight increase compared

to \$440,742 in 2020-21. Generally the program administrative costs do fluctuate slightly on an annual basis for operational items such as issues with licensing, elevator/dealer defaults, and providing information required for claim adjudication. The costs align with the 5-year average for program delivery costs for the GFPP.

Effective April 1, 2020, the Board is also paying the costs for legal services associated with the administration of the FPPA and investigative costs. Legal Services also reviews any board agreements, governance documents and provides any other advice as requested by the Board. This is a new expense reflected in the Board's financials for 2020-21 onward (a cost previously covered by the Ministry). The expenses in 2021-22 were \$248, compared to \$792 in 2020-21 primarily driven by a claim received in 2020-21 where Legal Services provided advice to the Board for claim adjudication. In 2021-22 fiscal year, there were no claims. Therefore, there were no legal services expenditures for claims adjudication.

Total expenses for 2021-22 were \$539,044, compared to \$480,523 in 2020-21. This variance is primarily due to the actuarial review that was conducted.

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

- Governance/ Secretariat services, Financial services and Determining Financial Responsibility/ Licencing & Enforcement are paid to Agricorp; and
- Board Legal and Investigative services are paid to OMAFRA.

Financial table: The numbers have been rounded-up to the nearest dollar for ease of reporting purposes only.

	Budget (\$)	Actual (\$)	Budget (\$)	Actual (\$)
Fiscal Year	2020-21	2020-21	2021-22	2021-22
Revenue				
Fees	460,000	561,720	448,000	502,735
Investment Interest	414,000	377,964	271,000	308,974
Claim Recoveries	0	0	0	0
Total Revenue	874,000	939,234	719,000	811,709
Expenses				
Claims	263,000	0	263,000	0
Governance/Secretariat Services	47,000	12,488	52,000	16,137
Financial Services	33,000	26,501	33,000	26,097
Determining Financial Responsibility/ Licencing & Enforcement (see Note 1)	610,000 ²	440,742	530,000	462,312
Board Legal and Investigative services	14,000	792	60,000	248
Professional fees (e.g.: actuarial review)	0	0	14,000	34,250
Total Expenses	967,000	480,523	952,000	539,044
Net Balance (Total Revenue – Expenses)	(93,000)	458,711	(233,000)	272,665

Fund Balance Beginning of Year	\$17,155,145	17,155,145	17,155,145	17,613,856
Fund Balance End of Year	\$17,062,145	17,613,856	16,922,145	17,886,521

Notes:

¹ Expenses included in financial responsibility review includes the Determining Financial responsibility, two Financial Responsibility Review Committee (FRRC) and other administration (i.e.: bank charges). FRRC are invoices from the firm of Graham, Scott and Enns LLP and from Gee, Lambart and Courtney less any dealer FRRC fees.

As of March 1, 2020, the Board is paying for all administrative program delivery costs including determining financial responsibility, licensing and enforcement.

² For the 2020-21 budget, the dealer or licence fees collected are not netted against the anticipated expenses.

Appendix 1: History of claims (as of March 31, 2022).

Fiscal Year (Apr. 1 - Mar. 31)	# of claims reviewed by Board/ decision made	# of Claims Paid	Total Claim Amount Paid from Funds	Dollars Recovered to the Funds	Amount Paid Out by the Funds
1985-1986	264	92	\$1,059,602.00	\$312,699.00	\$746,903.00
1986-1987	7	6	\$27,603.04	\$26,280.00	\$1,350.04
1987-1988	Nil	Nil	-	-	-
1988-1989	2	2	\$15,806.69	\$0.00	\$15,806.69
1989-1990	13	13	\$249,748.02	\$0.00	\$249,748.02
1990-1991	20	18	\$279,367.75	\$2,000.00	\$277,367.75
1991-1992	Nil	Nil	-	-	-
1992-1993	11	11	\$266,814.40	\$40,000.00	\$226,814.40
1993-1994	27	24	\$270,500.59	\$0.00	\$270,500.59
1994-1995	5	1	\$15,993.09	\$8,000.00	\$7,993.09
1995-1996	Nil	Nil	-	-	-
1996-1997	51	45	\$434,282.39	\$0.00	\$434,282.39
1997-1998	Nil	Nil	-	-	-
1998-1999	Nil	Nil	-	-	-
1999-2000	21	21	\$57,786.98	\$0.00	\$57,786.98
2000-2001	Nil	Nil	-	-	-
2001-2002	Nil	Nil	-	-	-
2002-2003	Nil	Nil	-	-	-
2003-2004	8	8	\$147,204.67	\$11,379.00	\$135,825.67
2004-2005	Nil	Nil	-	-	-
2005-2006	Nil	Nil	-	-	-
2006-2007	Nil	Nil	-	-	-
2007-2008	Nil	Nil	-	-	-
2008-2009	19	18	\$731,797.00	\$267,000.00	\$464,797.00
2009-2010	Nil	Nil	-	-	-
2010-2011	Nil	Nil	-	-	-
2011-2012	3	0	\$0.00	\$0.00	\$0.00
2012-2013	Nil	Nil	-	-	-
2013-2014	Nil	nil	-	-	-
2014-2015	Nil	Nil	-	-	-
2015-2016	5	4	\$7,617.23	\$7,617.23	\$0.00
2016-2017	Nil	Nil	-	-	-
2017-2018	15	2	\$29,132.89	\$29,132.89	\$0.00
2018-2019	8	0	\$0.00	\$0.00	\$0.00
2019-2020	Nil	Nil	-	-	-
2020-2021	1	0	-	-	-
2021-2022	Nil	Nil	-	-	-
Total	480	265	\$3,593,283.74	\$704,108.12	\$2,889,175.62

**Appendix 2: Audited financial statements for year ending
March 31, 2022.**

Financial Statements of

The Grain Financial Protection Board

(Funds for Producers of Grain Corn, Soybeans, Canola, Wheat)

Year Ended March 31, 2022

Management's responsibility for financial reporting

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

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

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

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

Becky Philpott

Becky Philpott (Dec 16, 2022 13:59 EST)

Becky Philpott
Chief Financial Officer, Agricorp

Theresa Moisan

Theresa Moisan (Dec 16, 2022 12:24 EST)

Theresa Moisan
Controller, Agricorp

December 16, 2022



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

INDEPENDENT AUDITOR'S REPORT

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

Opinion

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

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

Basis for Opinion

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

Other Information

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

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

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

Box 105, 15th Floor
20 Dundas Street West
Toronto, Ontario
M5G 2C2
416-327-2381
fax 416-326-3812

B.P. 105, 15^e étage
20, rue Dundas ouest
Toronto (Ontario)
M5G 2C2
416-327-2381
télécopieur 416-326-3812

www.auditor.on.ca

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 be 'SK', written over a faint horizontal line.

Toronto, Ontario
December 16, 2022

Susan Klein, CPA, CA, LPA
Assistant Auditor General

The Grain Financial Protection Board
(Funds for Producers of Grain Corn, Soybeans, Canola, Wheat)

Statement of financial position

As at March 31, 2022

	Grain Corn		Soybeans		Canola		Wheat		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Current assets										
Cash	\$ 600,638	\$ 809,945	\$ 889,951	\$ 597,667	\$ 101,742	\$ 107,165	\$ 310,584	\$ 189,922	\$ 1,902,915	\$ 1,704,699
Short term investments (note 4)	2,860,344	3,308,630	2,771,487	3,646,424	501,754	629,322	2,061,884	2,733,368	8,195,469	10,317,744
Accounts receivable (note 3)	517	447	23,887	19,103	2,321	1,004	3,572	3,165	30,297	23,719
Total current assets	3,461,499	4,119,022	3,685,325	4,263,194	605,817	737,491	2,376,040	2,926,455	10,128,681	12,046,162
Long term investments (note 4)	2,609,913	2,012,699	2,742,921	1,926,557	477,026	343,495	2,119,410	1,416,546	7,949,270	5,699,297
Total assets	6,071,412	6,131,721	6,428,246	6,189,751	1,082,843	1,080,986	4,495,450	4,343,001	18,077,951	17,745,459
Liabilities										
Accounts payable	67,597	52,870	88,456	59,231	9,571	6,580	25,806	12,922	191,430	131,603
Total liabilities	67,597	52,870	88,456	59,231	9,571	6,580	25,806	12,922	191,430	131,603
Fund balances	6,003,815	6,078,851	6,339,790	6,130,520	1,073,272	1,074,406	4,469,644	4,330,079	17,886,521	17,613,856
Liabilities and fund balances	6,071,412	6,131,721	6,428,246	6,189,751	1,082,843	1,080,986	4,495,450	4,343,001	18,077,951	17,745,459

See accompanying notes to financial statements

Approved on behalf of the Board



Dave Buttenham
Board Chair



Board Member

The Grain Financial Protection Board
(Funds for Producers of Grain Corn, Soybeans, Canola, Wheat)

Statement of operations and fund balances

Year ended March 31, 2022

	Grain Corn		Soybeans		Canola		Wheat		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Revenue										
Fees from producers	\$ 7,630	\$ 7,012	\$ 352,711	\$ 432,555	\$ 7,089	\$ 5,361	\$ 135,305	\$ 116,342	\$ 502,735	\$ 561,270
Investment income	107,421	134,737	105,174	125,685	18,842	23,652	77,537	93,890	308,974	377,964
Claim recoveries	-	-	-	-	-	-	-	-	-	-
Total revenue	115,051	141,749	457,885	558,240	25,931	29,013	212,842	210,232	811,709	939,234
Expenses										
Financial responsibility review, licensing and enforcement	163,249	177,063	213,624	198,366	23,116	22,038	62,323	43,275	462,312	440,742
Financial services	8,958	10,372	11,593	11,377	1,417	1,450	4,129	3,302	26,097	26,501
Governance and secretariat	5,698	5,017	7,457	5,621	807	624	2,175	1,226	16,137	12,488
Legal and investigation	88	718	115	56	12	6	33	12	248	792
Actuarial fees	12,094	-	15,826	-	1,713	-	4,617	-	34,250	-
Claims paid	-	-	-	-	-	-	-	-	-	-
Total expenses	190,087	193,170	248,615	215,420	27,065	24,118	73,277	47,815	539,044	480,523
Excess (deficiency) of revenue over expenses	(75,036)	(51,421)	209,270	342,820	(1,134)	4,895	139,565	162,417	272,665	458,711
Fund balances, beginning of year	6,078,851	6,130,272	6,130,520	5,787,700	1,074,406	1,069,511	4,330,079	4,167,662	17,613,856	17,155,145
Fund balances, end of year	\$ 6,003,815	\$ 6,078,851	\$ 6,339,790	\$ 6,130,520	\$ 1,073,272	\$ 1,074,406	\$ 4,469,644	\$ 4,330,079	\$ 17,886,521	\$ 17,613,856

See accompanying notes to financial statements

The Grain Financial Protection Board
(Funds for Producers of Grain Corn, Soybeans, Canola, Wheat)

Statement of cash flows

Year ended March 31, 2022

	Grain Corn		Soybeans		Canola		Wheat		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Operating Activities										
Excess (deficiency) of revenue over expenses	\$ (75,036)	\$ (51,421)	\$ 209,270	\$ 342,820	\$ (1,134)	\$ 4,895	\$ 139,565	\$ 162,417	\$ 272,665	\$ 458,711
Non-cash items										
(Increase) decrease in accrued interest	3,138	(5,871)	4,565	(801)	917	(747)	5,095	350	13,715	(7,069)
Working Capital										
Decrease (increase) in accounts receivable	(70)	(35)	(4,784)	(5,156)	(1,317)	824	(407)	(1,421)	(6,578)	(5,788)
Increase in accounts payable	14,727	10,693	29,225	15,506	2,991	1,547	12,884	3,190	59,827	30,936
Cash provided from (utilized by) operating activities	(57,241)	(46,634)	238,276	352,369	1,457	6,519	157,137	164,536	339,629	476,790
Investing Activities										
Purchase of investments	(2,002,066)	(1,853,398)	(2,335,992)	(2,393,076)	(402,880)	(396,460)	(1,916,475)	(1,881,112)	(6,657,413)	(6,524,046)
Proceeds from investments	1,850,000	2,299,400	2,390,000	1,958,000	396,000	418,300	1,880,000	1,540,300	6,516,000	6,216,000
Cash provided from (utilized by) investing activities	(152,066)	446,002	54,008	(435,076)	(6,880)	21,840	(36,475)	(340,812)	(141,413)	(308,046)
Increase (decrease) in cash	(209,307)	399,368	292,284	(82,707)	(5,423)	28,359	120,662	(176,276)	198,216	168,744
Cash, beginning of year	809,945	410,577	597,667	680,374	107,165	78,806	189,922	366,198	1,704,699	1,535,955
Cash, end of year	\$ 600,638	\$ 809,945	\$ 889,951	\$ 597,667	\$ 101,742	\$ 107,165	\$ 310,584	\$ 189,922	\$ 1,902,915	\$ 1,704,699

See accompanying notes to financial statements

The Grain Financial Protection Board

(Funds for Producers of Grain Corn, Soybeans, Canola, Wheat)

Notes to the financial statements

Year ended March 31, 2022

1. Establishment of the Funds

The Grain Financial Protection Board (the Board) was established in 1984 as an agency of the Ontario Government under the *Farm Products Payments Act* (FPPA). It is an agency responsible for administering the funds for producers of grain corn, soybeans, canola and wheat (the Funds). The Funds were established to operate on a not-for-profit basis on behalf of the producers:

- Producers of Grain Corn – established November 3, 1984;
- Producers of Soybeans – established November 3, 1984;
- Producers of Canola – established July 22, 1989; and
- Producers of Wheat – established December 13, 2004. The Ontario Wheat Producers' Marketing Board made a \$1 million non-recurring unrestricted contribution to establish the Fund.

The purpose of the Funds, established through regulations, under the FPPA is to protect producers (of grain corn, soybeans, canola and wheat) against losses resulting from dealer payment default. Effective July 1, 2012, producers can be reimbursed 95% of an approved claim for any defaults by dealers. The Board attempts to recover any claims paid from the dealers.

Under Ontario Regulation 467/19, the Board is responsible for all expenses relating to the administration of the FPPA and the Grains Act.

As a board-governed provincial agency, the Grain Financial Protection Board is exempt from income taxes.

2. Significant accounting policies

a) Basis of accounting

The financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards (PSAS) for governments as recommended by the Public Sector Accounting Board of Chartered Professional Accountants of Canada (CPA Canada). The Board has also elected to apply the section 4200 standards for Government Not-For-Profit Organizations.

b) Revenue recognition

The Funds' revenue includes fees from producers paid under the FPPA, investment income and claim recoveries. Fees from producers are paid to either the Ontario Canola Growers Association (OCGA) or the Grain Farmers of Ontario (GFO), as designated by Regulation. Revenue is recognized when fees from producers are receivable from the OCGA and GFO. Investment income is recognized as earned and amounts not yet received are included in the carrying value of investments. Claim recoveries are recorded when entitled to receive payment, unless uncertainty exists regarding the amounts and timing of the recovery. When uncertainty exists, claim recoveries are recorded when received.

c) Expense allocation

Expenses, other than legal and investigation and claims paid, are allocated to the four funds based on the proportionate value of each crop sold, with a minimum set at 5% (2021 - 5%). Legal and investigation and claims paid are allocated to the Fund of the commodity being claimed.

d) Financial instruments

The Funds' financial instruments consist of cash, investments, accounts receivable and accounts payable.

The Grain Financial Protection Board

(Funds for Producers of Grain Corn, Soybeans, Canola, Wheat)

Notes to the financial statements

Year ended March 31, 2022

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
- 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.

e) Use of estimates

The preparation of financial statements in conformity with PSAS requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses. Significant items subject to such estimates and assumptions include the carrying amounts of accounts receivable funds. Actual results could differ from those estimates.

3. Accounts receivable

Accounts receivable represent fees from producers due from the GFO or OCGA.

4. Investments

2022	Fair Value Hierarchy	Grain Corn	Soybeans	Canola	Wheat	Total
Short-term (< 1 year)						
Financial institutions - deposits	Level 1	\$ 2,146,343	\$ 2,144,270	\$ 380,860	\$ 1,591,953	\$ 6,263,426
Financial institutions - GICs	Level 2	714,001	627,217	120,894	469,931	1,932,043
Total short-term		\$ 2,860,344	\$ 2,771,487	\$ 501,754	\$ 2,061,884	\$ 8,195,469
Long-term (1 - 5 year)						
Financial institutions - GICs	Level 2	2,609,913	2,742,921	477,026	2,119,410	7,949,270
Total long-term		\$ 2,609,913	\$ 2,742,921	\$ 477,026	\$ 2,119,410	\$ 7,949,270
Total investments		\$ 5,470,257	\$ 5,514,408	\$ 978,780	\$ 4,181,294	\$ 16,144,739

The Grain Financial Protection Board
(Funds for Producers of Grain Corn, Soybeans, Canola, Wheat)
Notes to the financial statements
Year ended March 31, 2022

2021	Fair Value Hierarchy	Grain Corn	Soybeans	Canola	Wheat	Total
Short-term (< 1 year)						
Financial institutions - deposits	Level 1	\$ 1,429,276	\$ 1,228,276	\$ 227,980	\$ 830,478	\$ 3,716,010
Financial institutions - GICs	Level 2	1,879,354	2,418,148	401,342	1,902,890	6,601,734
Total short-term		\$ 3,308,630	\$ 3,646,424	\$ 629,322	\$ 2,733,368	\$ 10,317,744
Long-term (1 - 5 year)						
Financial institutions - GICs	Level 2	2,012,699	1,926,557	343,495	1,416,546	5,699,297
Total long-term		\$ 2,012,699	\$ 1,926,557	\$ 343,495	\$ 1,416,546	\$ 5,699,297
Total investments		\$ 5,321,329	\$ 5,572,981	\$ 972,817	\$ 4,149,914	\$ 16,017,041

Transfers of investments between Level 1 and Level 2 totaled \$1,617,023 (2021- \$1,573,646).

5. Financial instruments risk management

a) Market risk

Market risk is the risk that changes in market prices will affect the fair value of reported assets and liabilities. Market factors include three types of risk: interest rate risk, currency risk and equity risk. The Funds are not exposed to significant currency or equity risk as they do not transact in foreign currency or hold equity financial instruments. The Funds operate within the constraints of the investment policy, which restricts the investments to highly liquid, high-grade instruments such as deposit notes, bonds, debentures, and other forms of indebtedness, issued by federal and provincial governments, and domestic financial institutions.

b) 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. The average return on investments is 1.85% (2021 – 2.32%).

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.

c) Credit risk

Credit risk is the risk that other parties fail to perform as contracted. The Funds are exposed to credit risk principally through balances receivable from the OCGA and GFO, as well as through its investment securities.

Credit risk on balances receivable arises from the possibility that the entities that owe money to the Funds may not fulfill their obligation. Collectability is reviewed regularly and an allowance for doubtful accounts, if necessary, is established to recognize the impairment risks identified.

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 to high-grade Canadian debt instruments, which significantly reduces credit risk.

The Grain Financial Protection Board
(Funds for Producers of Grain Corn, Soybeans, Canola, Wheat)
Notes to the financial statements
Year ended March 31, 2022

6. Related party transactions

The Board entered into an agreement with Agricorp to provide services related to financial responsibility review, licensing and enforcement; financial services; and governance and secretariat. These services provided by Agricorp amounted to \$500,482 (2021 - \$475,481) and are included in the respective expenses on the Statement of Operations and Fund Balances.

The Board is responsible to pay for expenses related to legal and investigation services provided by the Ministry of Agriculture, Food and Rural Affairs (OMAFRA). In the current year, legal and investigative services amounted to \$248 (2021 – \$792) and are included in expenses on the Statement of Operations and Fund Balances.