

ANNUAL REPORT 2016



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Foreword

It is a very exciting time for agriculture. The federal government has come out very strongly in support of agriculture, publicly recognizing the huge economic contribution we provide and the 2.1 million jobs we support.

In February 2017 the federal government Advisory Council on Economic Growth, led by Dominic Barton, released a report entitled “unleashing the potential of key sectors”. In that report, the council recommends that four key sectors have the potential to turbo-charge Canadian economic growth. AgFood (as they refer to it) is first among them.

At last there is recognition of a fact, which we have known for a very long time, that agriculture is a foundational national economic platform. As other industries come and go over the decades, farmers keep on farming, improving efficiencies and adding value to the prosperity of this great country.

Driving and adopting innovation is a key component of the Council's recommendations. As the axis through which industry, innovators, funding sources and government connect, LRIC is in a unique position to be the catalyst that stimulates innovation and accelerates adoption.

The LRIC Board recognizes, believes in and is committed to further developing the significant role LRIC can play for producers, our members, and the wider agricultural community in Ontario.

As someone who has been involved since the very early days of LRIC, it has been truly amazing to see how, in just four years, it has matured and become a valuable organization in the Ontario livestock sectors.

This is an extremely exciting time for LRIC. We have an important role to fulfill and I'm proud of the support we have received from producers, our member organizations, government and industry, and to have the privilege of being the current board chair.



Oliver Haan

Vision

Research & Innovation Driving Livestock Sector Success

Mission

Livestock Research Innovation Corporation works collaboratively on behalf of industry to coordinate research priorities and engage in partnerships to maximize innovation and the return on research.

Member Organizations

- Beef Farmers of Ontario
- Dairy Farmers of Ontario
- Ontario Pork
- Poultry Industry Council representing:
 - Egg Farmers of Ontario
 - Ontario Broiler Hatching Egg & Chick Commission
 - Turkey Farmers of Ontario
 - Chicken Farmers of Ontario

Partner Members

- Ontario Sheep Marketing Agency
- Canadian Global Food Animal Residue Avoidance Database (CgFARAD)
- Alberta Innovates Bio Solutions
- Alltech
- Livestock Alliance

Financial Contributors

- LRIC Member organizations
- Ontario Ministry of Agriculture, Food & Rural Affairs
- Agricultural Adaptation Council
- Agriculture & Agri-food Canada

BOARD MEMBERS

Oliver Haan	Chair	Ontario Pork
Jennifer MacTavish	Vice Chair	Ontario Sheep Marketing Agency
Dr. Cornelia Kreplin		Slate Director
Brian Miller		Poultry Industry
Dr. Gord Surgeoner		Director at Large
Dr. Paul Uys		Slate Director
Cory Van Groningen		Beef Farmers of Ontario
Henry Wydeven		Dairy Farmers of Ontario
Mike McMorris		BIO

COMMITTEES

Executive /HR

Oliver Haan	Chair
Jenn MacTavish	Vice-Chair
Dr. Cornelia Kreplin	Treasurer

Governance/Nominating

Jenn MacTavish	Chair
Oliver Haan	
Dr. Cornelia Kreplin	
Tim Nelson*	
Henry Wydeven	

Finance & Audit

Dr. Cornelia Kreplin	Chair
Jenn MacTavish	
Oliver Haan	
Brian Miller	
Tim Nelson*	
Jim Weir	

Emerging & Critical Issues

Dr. Paul Uys	Chair
Oliver Haan	
Mike McMorris	
Cher Mereweather	
Tim Nelson*	
Dr. Gord Surgeoner	
Cory Van Groningen	
Deborah Whale	
Henry Wydeven	

Research Advisory

Heather Burrow	Chair	University of New England, Australia
Dr. Peter Groot Koerkamp		Wageningen UR
Dr. Cornelia Kreplin		Alberta Innovates
Brian Lindsay		Global Beef & Dairy Sustainability Frameworks, UK
Dr. John Oldham		formerly University of Edinburgh and Scottish Agricultural College
Graham Plastow		University of Alberta

LRIC thanks Jim Weir, Vicki Ward and Ontario Pork for providing accounting services.

****ex-officio, non-voting member of committee***

Report from the Chair

LRIC exists to service producers, our members and stakeholders, and the Province in order to advance the livestock sector in Ontario through the application of innovation driven by research.

Through our work representing producer and industry priorities to the Province, managing research calls, running events and meetings that address emerging priority areas, and providing hot off the press, relevant research news from around the world, LRIC has become an efficient and cost effective tool that producers and members are using more and more.

None of this happens without a significant commitment to planning and in early 2017 the Board developed a new strategy that incorporates everything we currently do with some new initiatives that will guide the organization over the next few years and benefit producers for many years to come.

Leadership

In March this year LRIC provided significant leadership on Gut Health by collaborating with the Food Institute at the University of Guelph to run the second very successful forum, with highly regarded provincial, national, and international experts and producers participating in the session.



LRIC also brought information on a variety of ways of getting research into the hands of producers. Our stakeholders heard from a number of subject matter experts talking about many different but equally effective methods of getting new innovations to farmers. LRIC is now looking to further develop some of these over the next 3-5 years.

We continue to hear from our members that LRIC should be providing guidance and information on smarter ways of undertaking research. One way is to help connect researchers to relevant organizations where they have innovations that will be valuable for more than one sector. One successful three-industry funding partnership with Dr. Andria Jones-Bitton (Dept. Population Medicine, OVC), enabled her to secure funding from Egg Farmers, Ontario Sheep Marketing Agency, Ontario Pork and OMAFRA to undertake some innovative and important work designed to identify early signs of depression in livestock producers. This is one issue of many that can be addressed between sectors where the cost benefits of co-investment are clear.

LRIC is committed to exploiting the benefits of collective funding of collaborative, cross sectoral research and will continue to encourage sectors to co-invest in research and KTT initiatives that benefit producers and our respective members, and with help from OMAFRA we hope to see more of this in coming years.

Collaboration

LRIC has once again collaborated with numerous researchers from the University of Guelph, helping them find funding and providing advice.

The successful Canadian Global Food Animal Residue Avoidance Database (CgFARAD) \$100,000.00 grant from the Agricultural Adaptation Council (reported last year) has been duly invested in new laboratory equipment at Guelph and in a significant upgrade to the CgFARAD database at the University of Saskatchewan. The launch event for the new laboratory equipment and database was attended by 40 people from across industry, government and academia.

LRIC also collaborated with Ontario AgriFood Technologies on its Ontario Precision Agri-Food (OPAF) initiative, which has leveraged \$400,000.00 from multiple sources. These funds will go towards enabling systems to make use of the mountains of data that producers and industry collect on a daily basis, data rarely used to its full potential, if at all.



Strategic Engagement

LRIC continues to strategically expand our relationships with other value chain partners in Ontario. Most recently engaging with businesses from the Ontario Feed Industry in order to leverage the value of multiple stakeholders in a bid to win funds for a Feeds Science Cluster in the next policy framework. If successful, this cluster will of necessity incorporate multiple businesses traditionally engaged in supplier/purchaser relationships, working together to lift the bar on feed and feed efficiencies through a science cluster program. This arrangement will be a first of its kind for Canada in a single program of research.

In 2016 LRIC also welcomed an important new member organization, the Livestock Alliance. We thank them for their support.

We continue to solidify ties to the provincial and federal governments and we are starting to garner interest in what we do from outside of Ontario with some potential network partners from Alberta, the Netherlands, France and New Zealand.

LRIC is a strategic participant at the research barn infrastructure meetings with the Province, University of Guelph and the relevant sector representatives. Early discussions with Ontario Pork are well underway, beef is ongoing and with the Federal Government funding now secure is likely to move to activity in 2017. Poultry has not yet started but the industry is preparing for discussions and some sectors have had early meetings with ARIO.

Communications

In 2016/17 LRIC communicated regularly with producers and industry in a number of ways including: A Pork Research Outcomes Magazine, 17 editions of LYRIC's, 100 e-bulletins to members, Collaborative Research Opportunities Report. In December 2016 we launched the LRIC "Research Scout" initiative, which brings cutting edge relevant research from across the world and is specifically targeted to relevant member organizations.

In early 2017, in anticipation of the barrage of questions relating to the new research infrastructure developments at Elora, we released an information paper on why research barns cost more than commercial barns to build and to equip.

LRIC provided sector priorities for OMAFRA, reported to members between meetings, provided reports from our International Research Committee and delivered face to face updates with all members in the Fall.



Operations

LRIC was a successful applicant for FIP funding to support our purchase of the Smart Simple Research Management Tool. Design and commissioning of the tool took considerable time and resources throughout the year, but the system is now fully operational and LRIC has run two calls for proposals on the system, one for BFO and one for poultry. The system can be used at no charge by any of our members. In 2016, LRIC also ran manual calls for proposals for BFO, Ontario Pork and Poultry.

LRIC is now completely administering poultry research in Ontario including the management of research funds and filing a SRED tax credit claim for Egg Farmers of Ontario.

LRIC has also become adept at finding technical reviewers for research proposals and final reports. In the last BFO call every project had at least two reviewers and one had six. This may not sound like a big achievement – but believe me, it is.

Jean Howden from Ontario Pork joined LRIC at the end of 2016. Jean is a highly regarded addition to the team who brings considerable experience in research management to LRIC. Jean replaces Rebecca Rebus who has moved on to the University of Guelph.

In summary, it has been another exceptionally busy and productive year for LRIC.

Although this year we did not run as many events as previous years, it has nevertheless been one in which we have consolidated our business practices, concentrated on our core strengths, built many fruitful networks and been productive for producers, our members, financial supporters and many other stakeholders.

It remains for me to thank Ontario Pork for their generous pro-bono contribution of Jim Weir and Vicki Ward for financial services work. To the staff and contractors who work hard to make LRIC successful and to the hard working, committed and visionary board members for their continued commitment to LRIC, immense thanks are due. Through their contributions they have shaped the organization and in no small way are responsible for its success.

LRIC has a full complement of hard working, committed Board members and held regular meetings throughout the year.

LIVESTOCK RESEARCH INNOVATION CORPORATION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017



Chartered
Professional
Accountants

INDEPENDENT AUDITOR'S REPORT

To the members of: Livestock Research Innovation Corporation

We have audited the accompanying financial statements of Livestock Research Innovation Corporation, which comprise the statement of financial position as at March 31, 2017 and the statements of revenues and expenditures and changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not for profit organizations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Livestock Research Innovation Corporation as at March 31, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not for profit organizations.

A handwritten signature in black ink that reads 'RLB LLP'.

Guelph, Ontario
May 26, 2017

Chartered Professional Accountants
Licensed Public Accountants

LIVESTOCK RESEARCH INNOVATION CORPORATION
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2017

	2017	2016
ASSETS		
CURRENT		
Cash (note 5)	\$ 577,884	\$ 223,983
Accounts receivable	49,850	100,963
Prepaid expenses	<u>3,761</u>	<u>180</u>
	631,495	325,126
CAPITAL ASSETS (note 4)	<u>62,102</u>	<u>67,315</u>
	<u>\$ 693,597</u>	<u>\$ 392,441</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 69,927	\$ 86,534
Deferred research funding (note 6)	239,292	0
Deferred capital funding (note 7)	<u>59,400</u>	<u>0</u>
	368,619	86,534
NET ASSETS		
UNRESTRICTED NET ASSETS	<u>324,978</u>	<u>305,907</u>
	<u>\$ 693,597</u>	<u>\$ 392,441</u>

See notes to the financial statements

LIVESTOCK RESEARCH INNOVATION CORPORATION
STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2017

	2017	2016
REVENUES		
Grants - Ontario Ministry of Agriculture, Food and Rural Affairs	\$ 300,000	\$ 300,000
Member contributions	160,750	160,313
Grants - Agricultural Adaptation Council	25,488	10,721
Other grants	6,553	4,062
Interest income	1,013	741
	<u>493,804</u>	<u>475,837</u>
EXPENDITURES		
Consulting fees	248,629	278,104
Salaries	59,427	57,198
Rent	26,400	26,400
Research advisory committee	21,590	19,551
Advertising	19,529	16,419
Project expenses	15,000	25,000
Administrative services	14,688	24,336
Office	14,556	6,047
Travel	13,786	20,552
Meetings	10,529	22,365
Memberships and sponsorships	7,117	4,849
Amortization	6,858	1,258
Website	6,211	1,440
Professional fees	5,801	8,071
Insurance	3,226	3,061
Interest and bank charges	1,386	1,515
Bad debts	0	12,000
Telephone	0	244
	<u>474,733</u>	<u>528,410</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES for the year	19,071	(52,573)
NET ASSETS, beginning of year	<u>305,907</u>	<u>358,480</u>
NET ASSETS, end of year	<u>\$ 324,978</u>	<u>\$ 305,907</u>

LIVESTOCK RESEARCH INNOVATION CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2017

	2017	2016
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenditures for the year	\$ 19,071	\$ (52,573)
Items not requiring an outlay of cash		
Amortization	<u>6,858</u>	<u>1,258</u>
	<u>25,929</u>	<u>(51,315)</u>
Changes in non-cash working capital		
Accounts receivable	51,113	(6,896)
Prepaid expenses	(3,581)	3,160
Government remittances receivable	0	(7,250)
Accounts payable and accrued liabilities	(16,607)	44,734
Deferred research funding	239,292	0
Deferred capital funding	<u>59,400</u>	<u>0</u>
	<u>329,617</u>	<u>33,748</u>
	<u>355,546</u>	<u>(17,567)</u>
CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES		
Additions to capital assets	(1,645)	(66,178)
Short term investments	<u>0</u>	<u>80,744</u>
	<u>(1,645)</u>	<u>14,566</u>
NET INCREASE (DECREASE) IN CASH	353,901	(3,001)
NET CASH, BEGINNING OF YEAR	<u>223,983</u>	<u>226,984</u>
NET CASH, END OF YEAR	<u>\$ 577,884</u>	<u>\$ 223,983</u>

LIVESTOCK RESEARCH INNOVATION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017

1. NATURE OF ORGANIZATION

Livestock Research Innovation Corporation is a not for profit organization incorporated under the laws of Ontario without share capital on August 2, 2012. Livestock Research Innovation Corporation is exempt from income tax pursuant to section 149(1)(e) of the Income Tax Act. Its purpose is to determine research needs and capacities and to direct research priorities for the betterment of the livestock value chain.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian accounting standards for not for profit organizations and include the following significant accounting policies:

(a) REVENUE RECOGNITION

The organization follows the deferral method of accounting for contributions. Externally restricted research funding is deferred and recognized as revenue in the year in which the related research expenditures are incurred. Externally restricted funding for the purchase of capital assets is deferred and recognized as revenue on a straight-line basis in accordance with the amortization of the related assets. Unrestricted contributions are recognized as revenue when they are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

(b) CAPITAL ASSETS

Capital assets are recorded at cost and amortized on the basis of their estimated useful life using the following methods and rates:

Computer hardware	- 3	years straight line basis
System software	- 6	years straight line basis

Amortization is recorded at 50% of the above rates in the year of addition.

(c) FINANCIAL INSTRUMENTS

Measurement of financial instruments

The organization initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions. The organization subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. If an impairment has occurred, the carrying amount of financial assets measured at amortized cost is reduced to the greater of the discounted future cash flows expected or the proceeds that could be realized from the sale of the financial asset. The amount of the write-down is recognized in net surplus. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net surplus.

LIVESTOCK RESEARCH INNOVATION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) FINANCIAL INSTRUMENTS (continued)

Transaction costs

The organization recognizes its transaction costs in net income in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

(d) USE OF ESTIMATES

The preparation of financial statements in conformity with Canadian generally accepted accounting principles for not for profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant areas requiring management's estimates include accounts receivable, accrued liabilities and the useful lives of capital assets. Actual results could differ from those estimates.

3. FINANCIAL INSTRUMENTS

Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, credit, currency, liquidity, or other price risks arising from their financial instruments.

The extent of the organization's exposure to these risks did not change in 2017 compared to the previous period.

The organization does not have a significant exposure to any individual customer or counterpart.

4. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 2017	Net 2016
Computer hardware	\$ 6,184	\$ 3,482	\$ 2,702	\$ 2,515
System software	<u>64,800</u>	<u>5,400</u>	<u>59,400</u>	<u>64,800</u>
	<u>\$ 70,984</u>	<u>\$ 8,882</u>	<u>\$ 62,102</u>	<u>\$ 67,315</u>

5. CASH EQUIVALENTS

Included in cash is \$460,819 (2016 - \$120,522) in a high interest savings account bearing interest at 0.55% per annum.

LIVESTOCK RESEARCH INNOVATION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017

6. DEFERRED RESEARCH FUNDING

Deferred research funding, which consists of the unexpended portion of research revenue that relates to future research expenditures, less amounts recognized for current period expenditures, is as follows:

	2017	2016
Balance, beginning of the year	\$ 0	\$ 0
Total amounts received during the year	<u>293,292</u>	<u>0</u>
Balance, end of year	<u>\$ 293,292</u>	<u>\$ 0</u>

Included in the amounts received in the year is interest earned on the funds held of \$407.

7. DEFERRED CAPITAL FUNDING

Deferred capital funding, which consists of the unamortized portion of capital funding received for the purchase of capital assets, is as follows:

	2017	2016
Balance, beginning of the year	\$ 0	\$ 0
Total amounts received during the year	64,800	0
Less amounts recognized as revenue in the year	<u>(5,400)</u>	<u>0</u>
	<u>\$ 59,400</u>	<u>\$ 0</u>



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