

FarmWorks Investment Co-operative Limited

**Unaudited Financial Statements and
Notice to Reader**

Tuesday, July 31, 2018

**Prepared by:
Athena Koros, CPA, CMA
Wolfville, Nova Scotia**

Notice to Reader

Based on information provided by management, I have compiled the balance sheet of FarmWorks Investment Co-operative as at July 31, 2018, the statement of income(loss), the statement of deficit and the statement of cash flows for the period ended July 31, 2018.

I have not performed an audit or a review engagement in respect of these financial statements and, accordingly, I express no assurance thereon.

Readers are cautioned that these statements may not be appropriate for their purposes.

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Tuesday, August 14, 2018

FarmWorks Investment Co-operative Limited

Statements of Income and Deficit

For the Seven Months Ended July 31, 2018
(Unaudited – See Notice to Reader)

	7/31/2018	12/31/2017
Revenue		
Interest income	\$48,591	70,642
Miscellaneous revenue	7,547	555
	<u>56,138</u>	<u>71,197</u>
Expenses		
Wages and benefits	9,111	
Advertising and promotion	2,016	4,985
Insurance	1,004	1,452
Interest and bank charges	425	705
Memberships and licenses	190	653
Offering expenses	1,185	3,752
Professional fees	8,097	13,293
Bad debt		11,084
Office expense	554	
Travel	2,574	3,805
	<u>25,156</u>	<u>39,729</u>
Net Income (Loss)	<u>30,982</u>	<u>31,468</u>
Retained earnings, (Deficit), beginning of year	-36,011	-67,479
Net income (loss)	30,982	31,468
Retained earnings, (Deficit), end of year	<u>-5,029</u>	<u>-36,011</u>

The accompanying notes are an integral part of these financial statements.

FarmWorks Investment Co-operative Limited

Balance Sheet

July 31, 2018 (Unaudited-See Notice to Reader)

7/31/2018

12/31/2017

Assets

Current

Bank	111,218	72,474
Savings	247,337	282,706
Receivables	3,569	6,522
Prepays	1,299	566
Current portion of loans receivable, at amortized cost (Note 3)	455,900	373,941
	819,323	736,209
Loans receivable (Note 3)	1,406,134	1,028,607
Allowance for loan impairment (Note 3)	-24,000	-24,000
	2,201,457	1,740,816

Liabilities

Current

Payables and accruals	2,246	7,227
Employee deductions payable	640	
	2,886	7,227

Equity

Share capital (Note 4)	2,203,600	1,769,600
Gain(Deficit)	-5,029	-36,011
	2,198,571	1,733,589
	2,201,457	1,740,816

Approved on Behalf of the Board:

 _____, Director _____, Director

The accompanying notes are an integral part of these financial statements.

FarmWorks Investment Co-operative Limited

Statement of Cash Flows

For the Seven Months Ended July 31, 2018
(Unaudited – See Notice to Reader)

7/31/2018

12/31/2017

Increase (decrease) in cash and cash equivalents

Operating

Net income	30,982	31,468
Provision for doubtful accounts		11,084
Change in non-cash operating working capital		
Receivables	2,954	-3,312
Prepays	-733	-270
Payables and accruals	-4,341	5,328
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	28,862	44,298

Investing

Issue of loans receivable	-652,150	-654,895
Collection of loans receivable	192,663	282,348
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	-459,487	-372,547

Financing

Proceeds from issue of common stock	444,000	378,900
Redemption of share capital	-10,000	-10,000
	<hr/>	<hr/>
	434,000	368,900

Net increase (decrease) in cash and cash equivalents	3,375	40,651
Cash and cash equivalents, beginning of year	355,180	314,529
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Cash and cash equivalents, end of period	\$358,555	\$355,180

The accompanying notes are an integral part of these financial statements.

FarmWorks Investment Co-operative Limited

Notes to the Financial Statements

July 31, 2018 (Unaudited-See Notice to Reader)

1. Nature of operations

FarmWorks Investment Co-operative Limited (the "Co-operative") was incorporated on May 11, 2011, under the laws of Nova Scotia. The Co-operative is a Community Economic Development Investment Fund (CEDIF) and is owned by individual investors in Nova Scotia. The Co-operative promotes and provides strategic and responsible community investment in food production and distribution in order to increase access to a sustainable local food supply for all Nova Scotians.

2. Significant Accounting Policies

The financial statements have been prepared in accordance with Part II of the CPA Canada Handbook - Canadian accounting standards for private enterprises.

Revenue recognition

Interest revenue is recognized on a time proportion basis over the term of the issued loans.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits, deposits held on call with banks, other short-term highly liquid investments which are readily convertible to known amounts of cash and bank overdrafts. The Co-operative considers securities with original maturities of three months or less to be readily convertible to known amounts of cash.

Financial instruments

The Co-operative considers any contract creating a financial asset, liability or equity instrument as a financial instrument, except in certain limited circumstances. The Co-operative accounts for the following as financial instruments:

- cash and cash equivalents
- trade and other receivables
- loans receivable
- trade and other payables

A financial asset or liability is recognized when the Co-operative becomes party to contractual provisions of the instrument.

Financial assets or liability obtained in arm's length transactions are initially measured at their fair value. In the case of a financial asset or liability not being subsequently measured at fair value, the initial fair value will be adjusted for financing fees and transaction costs that are directly attributable to its origination, acquisition, issuance or assumption.

Financial assets or liabilities obtained in related party transactions are measured in accordance with the accounting policy for related party transactions except for those transactions that are with a person or entity whose sole relationship with the Co-operative is in the capacity of management in which case they are accounted for in accordance with financial instruments.

Financial assets and financial liabilities are subsequently measured according to the following methods:

Financial instrument	Subsequent measurement
Cash and cash equivalents	Amortized cost

FarmWorks Investment Co-operative Limited

Notes to the Financial Statements

July 31, 2018 (Unaudited-See Notice to Reader)

2. Significant Accounting Policies (continued)

Financial instruments (continued)

Receivables	Amortized cost
Loans receivable	Amortized cost
Payables and accruals	Amortized cost

The Co-operative removes financial liabilities, or a portion of, when the obligation is discharged, cancelled or expires.

Financial assets measured at cost are tested for impairment when there are indicators of impairment. Previously recognized impairment losses are reversed to the extent of the improvement provided the asset is not carried at an amount, at the date of the reversal, greater than the amount that would have been the carrying amount had no impairment loss been recognized previously. The amounts of any write-downs or reversals are recognized in net income.

Use of estimates

Management reviews the carrying amounts of items in the financial statements at each balance sheet date to assess the need for revisions. Many items in the preparation of these financial statements require management's best estimate based on assumptions that reflect the most probable set of economic conditions and planned courses of action.

These estimates are reviewed periodically and adjustments are made to net income as appropriate in the year they become known.

Significant items subject to management estimates include the allowance for loan impairment on the loans receivable. Management has reviewed the loan portfolio in detail and identified specific loans that were known to be uncollectible or for which significant doubt exists. Additionally a general provision has been recorded for other loans that may become impaired. An allowance for loans impairment of \$24,000 is included in Note 3. Bad debts written off during 2017 and any adjustment to the allowance for loan impairment is included in the Statement of Income and amounted to nil (\$11,084 in 2017).

Income taxes

The Co-operative has elected to account for income taxes using the taxes payable method. The taxes payable and provision for income taxes are based on the corporate income tax returns filed. There is no adjustment for income taxes related to temporary differences and no recognition of the benefits of income tax losses carried forward.

FarmWorks Investment Co-operative Limited

Notes to the Financial Statements

July 31, 2018 (Unaudited-See Notice to Reader)

3. Loans Receivable

	2018	2017
Loans receivable bearing interest at 6%, maturing from 2019 to 2028, at amortized cost.	1,862,034	1,402,548
Allowance for loan impairment	-24,000	-24,000
Total debt	1,838,034	1,378,548
Current portion of loans receivable, at amortized cost	455,900	373,941
	1,382,134	1,004,607

Principal amounts receivable over the next ten years are as follows:

July 2019	455,900
July 2020	398,099
July 2021	363,990
July 2022	336,317
July 2023	212,577
July 2024	44,945
July 2025	27,678
July 2026	11,427
July 2027	4,589
July 2028	6,512

4. Share capital

Authorized

The Co-operative is authorized to issue common shares with a par value of \$100 each.

Issued	July 31, 2018	2017	2016	2015
Common Shares	\$2,203,600	\$1,769,600	\$1,400,700	\$1,028,400

During the year 4,440 shares were issued for \$444,000 and 100 shares were redeemed for \$10,000.

5. Income taxes

For income tax purposes, the Co-operative has losses carried forward of \$36,014 which can be applied to reduce future years' taxable income. These losses begin to expire in 2035. The benefit of these losses have not been recognized in the financial statements.

During 2017 losses of \$31,468 were utilized to reduce taxable income and taxes payable to zero.

FarmWorks Investment Co-operative Limited

Notes to the Financial Statements

July 31, 2018 (Unaudited-See Notice to Reader)

6. Financial instruments

The main risk the Co-operative is exposed to through its financial instruments is credit risk.

Credit risk

Exposure to credit risk relating to financial assets arises from the potential of loan recipients to not making payments as specified under the terms of their lending agreement which could lead to a financial loss to the Co-operative. Credit risk is managed through a stringent loan application process and regular monitoring and follow up on all issued loans. The Co-operative has no significant concentration risk with respect to any single party. There was no significant change in exposure from 2017 to 2018.
