



Financial Statements

FarmWorks Investment Co-operative Limited

December 31, 2020

*Draft - April 26, 2021, 8:34 AM*

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Draft - April 26, 2021, 8:34 AM

# Independent Practitioner's Review Engagement Report

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To the Shareholders of  
FarmWorks Investment Co-operative Limited

We have reviewed the accompanying financial statements of FarmWorks Investment Co-operative Limited that comprise the balance sheet as at December 31, 2020, and the statements of income and retained earnings 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 private enterprises, 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.

## **Practitioner's responsibility**

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

# Independent Practitioner's Review Engagement Report (continued)

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of FarmWorks Investment Co-operative Limited as at December 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Kentville, Canada  
Date to be determined

*Grant Thornton LLP*

Chartered Professional Accountants

Draft - April 26, 2021, 8:24AM

## FarmWorks Investment Co-operative Limited

### Statements of Income and Retained Earnings

Year ended December 31	2020	2019
<b>Revenue</b>		
Interest income	\$ 107,426	\$ 111,069
Grants and subsidies	-	7,500
Miscellaneous	<u>458</u>	<u>692</u>
	<u>107,884</u>	<u>119,261</u>
<b>Expenses</b>		
Office expense	7,796	5,310
Professional fees	8,446	8,266
Bookkeeping and management fees	11,704	5,228
Wage expense	-	22,185
Board expense	3,066	2,684
Client related expense	56,139	36,958
Share offering and promotion	3,853	5,232
General advertising expense	<u>2,372</u>	<u>6,676</u>
	<u>93,376</u>	<u>92,539</u>
Income before income taxes	14,508	26,722
Income taxes (Note 3)	<u>4,909</u>	<u>212</u>
Net income	<u>\$ 9,599</u>	<u>\$ 26,510</u>
Retained earnings (deficit), beginning of year	\$ 1,144	\$ (25,366)
Net income	<u>9,599</u>	<u>26,510</u>
Retained earnings, end of year	<u>\$ 10,743</u>	<u>\$ 1,144</u>

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# FarmWorks Investment Co-operative Limited

## Balance Sheet

December 31

2020

2019

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### Assets

#### Current

Cash and cash equivalents	\$ 321,978	\$ 121,750
Other accounts receivable	66	494
Loans receivable - current portion (Note 4)	<u>671,575</u>	<u>582,765</u>
	993,619	705,009
Loan receivable (Note 4)	<u>2,169,603</u>	<u>1,974,303</u>
	<u>\$ 3,163,222</u>	<u>\$ 2,679,312</u>

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### Liabilities

#### Current

Payables and accruals	\$ 4,570	\$ 3,556
Income taxes payable	<u>4,909</u>	<u>212</u>
	<u>9,479</u>	<u>3,768</u>

### Shareholders' equity

Share capital (Note 5)	3,143,000	2,674,400
Retained earnings	<u>10,743</u>	<u>1,144</u>
	<u>3,153,743</u>	<u>2,675,544</u>
	<u>\$ 3,163,222</u>	<u>\$ 2,679,312</u>

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On behalf of the board

\_\_\_\_\_ Director

\_\_\_\_\_ Director

# FarmWorks Investment Co-operative Limited

## Statement of Cash Flows

Year ended December 31	2020	2019
Increase (decrease) in cash and cash equivalents		
<b>Operating</b>		
Net income	\$ 9,599	\$ 26,510
Item not affecting cash		
Provision for doubtful accounts	<u>424</u>	<u>32,491</u>
	<b>10,023</b>	59,001
Change in non-cash working capital items		
Other accounts receivable	428	3,608
Prepays	-	550
Payables and accruals	1,014	(5,703)
Income taxes	<u>4,697</u>	<u>212</u>
	<u><b>16,162</b></u>	<u>57,668</u>
<b>Financing</b>		
Redemption of share capital	(48,100)	(11,500)
Issuance of share capital	<u>516,700</u>	<u>488,300</u>
	<u><b>468,600</b></u>	<u>476,800</u>
<b>Investing</b>		
Issue of loans receivable	(853,000)	(1,325,000)
Collection of loans receivable	<u>568,466</u>	<u>531,329</u>
	<u><b>(284,534)</b></u>	<u>(793,671)</u>
Increase (decrease) in cash and cash equivalents	<b>200,228</b>	(259,203)
Cash and cash equivalents		
Beginning of year	<u>121,750</u>	<u>380,953</u>
End of year	<u><b>\$ 321,978</b></u>	<u>\$ 121,750</u>

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# FarmWorks Investment Co-operative Limited

## Notes to the Financial Statements

December 31, 2020

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### 1. Nature of operations

FarmWorks Investment Co-operative Limited (the "Co-operative") was incorporated on May 17, 2011, under the laws of Nova Scotia. The co-operative is a Community 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, distribution and preparation in order to increase access to a sustainable local food supply for all Nova Scotians. The address of the organization is 70 Eden Row, Wolfville, NS, B4P 2R2. The financial statements are presented in the local currency (CAD).

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### 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 recognised on a time proportional basis over the term of the outstanding loans at a market rate of interest.

#### 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 liabilities obtained in arm's length transactions are initially measured at their fair value. At the balance sheet date the financial assets and liabilities are stated at their fair value unless the market interest rate is material different from the contracted rate, at which case they are measured on an amortized cost basis.

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# FarmWorks Investment Co-operative Limited

## Notes to the Financial Statements

December 31, 2020

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### 2. Significant accounting policies (continued)

#### Financial instruments (continued)

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

Financial instrument	Subsequent measurement
Cash and cash equivalents	Amortized cost
Receivables	Amortized cost
Loans receivable	Cost less any reduction for impairment
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 fair value. 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 loan impairment of \$79,517 (2019 - \$79,092) is included in Note 4. Bad debts written off during the year and any adjustment to the allowance for loan impairment is included in the Statement of Income and amounted to \$54,326 (2019 - \$32,491).

#### 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 benefit of income tax losses carried forward.

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# FarmWorks Investment Co-operative Limited

## Notes to the Financial Statements

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December 31, 2020

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### 3. Income taxes

The provision for income taxes recorded in the financial statements differs from the amount which would be obtained by applying the statutory income tax rate of 29.5% (2019 - 29.5%) to the income for the years as follows:

	<u>2020</u>	<u>2019</u>
Income for the year before income taxes	<u>\$ 14,508</u>	<u>\$ 26,722</u>
Anticipated income tax	\$ 4,280	\$ 7,883
Tax effect of the following:		
Benefit of income tax loss carry-forwards not previously recognized	-	(7,484)
Non-deductible expenses	295	121
Other	<u>334</u>	<u>(308)</u>
Income tax expense	<u>\$ 4,909</u>	<u>\$ 212</u>

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### 4. Loan receivable

	<u>2020</u>	<u>2019</u>
Total loans outstanding	<u>\$ 2,920,695</u>	\$ 2,636,160
Allowance for loan impairment	<u>(79,517)</u>	<u>(79,092)</u>
	<u>2,841,178</u>	2,557,068
Less current portion	<u>671,575</u>	<u>582,765</u>
	<u>\$ 2,169,603</u>	<u>\$ 1,974,303</u>

Loans receivable are unsecured.

Estimated principal repayments are as follows:

2021	\$ 671,575
2022	619,286
2023	556,446
2024	431,433
2025	251,858

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# FarmWorks Investment Co-operative Limited

## Notes to the Financial Statements

December 31, 2020

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### 5. Share capital

#### Authorized

The co-operative is authorized to issue an unlimited number of voting common shares with a par value of \$100 each.

#### Issued

	<u>2020</u>	<u>2019</u>
31,430 Common shares (2019 - 26,744)	<u>\$ 3,143,000</u>	<u>\$ 2,674,400</u>

During the year, 5,167 shares were issued for \$516,700 and 481 shares were redeemed for \$48,100.

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### 6. Related party transactions

During the year \$6,000 was paid to a director for home office expenses.

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### 7. Financial Instrument Risk Assessment - 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. Although the loans are unsecured, the 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. The change in exposure from the prior year is shown as follows:

	<u>2020</u>	<u>2019</u>
Loans as a Percentage of Total Amount Outstanding Loans		
Loans less than \$50,000	54	56
Loans from \$50,000 - \$100,000	28	32
Loans greater than \$100,000	<u>18</u>	<u>12</u>
Total Loans Receivable	<u>100</u>	<u>100</u>
Loans as a Percentage of the Number of Clients		
Loans less than \$50,000	84	87
Loans from \$50,000 - \$100,000	12	11
Loans greater than \$100,000	<u>4</u>	<u>2</u>
Total Loans Receivable	<u>100</u>	<u>100</u>
Loans Subject to Interest Forgiveness		
Amount of 0% Interest Loans	\$ 157,884	\$ 139,336
Percentage of 0% Interest Loans	5	5

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# FarmWorks Investment Co-operative Limited

## Notes to the Financial Statements

December 31, 2020

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### 8. Subsequent events

Subsequent to year end, the co-operative concluded its tenth offering in March 2021, resulting in the issue of 7,833 common shares for a total of \$783,300.

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### 9. COVID 19 Impact

Since December 2019, the spread of COVID-19 has severely impacted many local economies around the globe. On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian government, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods, and social distancing, have caused material disruption to businesses globally and in Canada, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening as a result. Governments and central banks have responded with monetary fiscal interventions to stabilize the economic conditions.

In order to assist in ensuring the financial viability of its clients, the Co-operative agreed to waive payments for clients experiencing negative cashflows between March and August 2020. During this year, interest ceased to be accrued on principle balances of loans receivable and payment schedules were ultimately extended, or revised, for those clients experiencing economic hardship. As of the date of these statements affected clients have returned to regular payment schedules and interest is being charged on their accounts. The Co-operative continues to maintain close contact with its clients and is confident that loan receivables are collectible and no further allowance for doubtful accounts is necessary at this time.

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results for the Company for future years.

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