



Financial Statements

FarmWorks Investment Co-operative Limited

December 31, 2021

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# Independent Practitioner's Review Engagement Report

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**Grant Thornton LLP**  
15 Webster Street  
Kentville, NS  
B4N 1H4

T +1 902 678 7307  
F +1 902 679 1870  
[www.GrantThornton.ca](http://www.GrantThornton.ca)

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, 2021, and the statements of loss 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, 2021, 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  
April 22, 2022

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script.

Chartered Professional Accountants

## FarmWorks Investment Co-operative Limited

### Statements of Loss and Retained Earnings

Year ended December 31	2021	2020
Revenue		
Interest income	\$ 160,092	\$ 107,426
Miscellaneous	1,218	458
Loan losses recovered	<u>672</u>	<u>-</u>
	<u>161,982</u>	<u>107,884</u>
Expenses		
Administrative fees	12,011	11,704
Board expense	2,743	3,066
Client related expense	119,973	56,139
General advertising expense	2,098	2,372
Office expense	8,948	7,796
Professional fees	14,243	8,446
Share offering and promotion	<u>3,095</u>	<u>3,853</u>
	<u>163,111</u>	<u>93,376</u>
(Loss) income before income taxes	(1,129)	14,508
Income taxes (Note 3)	<u>3,869</u>	<u>4,909</u>
Net (loss) income	<u>\$ (4,998)</u>	<u>\$ 9,599</u>
Retained earnings, beginning of year	\$ 10,743	\$ 1,144
Net (loss) income	<u>(4,998)</u>	<u>9,599</u>
Retained earnings, end of year	<u>\$ 5,745</u>	<u>\$ 10,743</u>

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# FarmWorks Investment Co-operative Limited

## Balance Sheet

December 31

2021

2020

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### Assets

#### Current

Cash and cash equivalents	\$ 445,625	\$ 321,978
Other accounts receivable	-	66
Income taxes recoverable	218	-
Loans receivable - current portion (Note 4)	<u>721,888</u>	<u>671,575</u>
	1,167,731	993,619
Loan receivable (Note 4)	<u>2,691,897</u>	<u>2,169,603</u>
	<u>\$ 3,859,628</u>	<u>\$ 3,163,222</u>

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### Liabilities

#### Current

Payables and accruals	\$ 3,683	\$ 4,570
Income taxes payable	-	4,909
	<u>3,683</u>	<u>9,479</u>

### Shareholders' equity

Share capital (Note 5)	3,850,200	3,143,000
Retained earnings	<u>5,745</u>	<u>10,743</u>
	<u>3,855,945</u>	<u>3,153,743</u>
	<u>\$ 3,859,628</u>	<u>\$ 3,163,222</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	2021	2020
Increase (decrease) in cash and cash equivalents		
<b>Operating</b>		
Net (loss) income	\$ (4,998)	\$ 9,599
Items not affecting cash		
Provision for doubtful accounts	17,017	424
Write-down of loans receivable	<u>96,692</u>	<u>53,901</u>
	<b>108,711</b>	63,924
Change in non-cash working capital items		
Other accounts receivable	66	428
Income taxes	(5,127)	4,697
Payables and accruals	<u>(886)</u>	<u>1,014</u>
	<b>102,764</b>	70,063
<b>Financing</b>		
Redemption of share capital	(56,700)	(48,100)
Issuance of share capital	<u>763,900</u>	<u>516,700</u>
	<b>707,200</b>	468,600
<b>Investing</b>		
Issue of loans receivable	(1,373,300)	(853,000)
Collection of loans receivable	<u>686,983</u>	<u>514,565</u>
	<b>(686,317)</b>	(338,435)
Increase in cash and cash equivalents	<b>123,647</b>	200,228
Cash and cash equivalents		
Beginning of year	<u>321,978</u>	<u>121,750</u>
End of year	<b><u>\$ 445,625</u></b>	<b><u>\$ 321,978</u></b>

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# FarmWorks Investment Co-operative Limited

## Notes to the Financial Statements

December 31, 2021

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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, 2021

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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	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 amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in net income. The write down reflects the difference between the carrying amount and the higher of:

- the present value of the cash flows expected to be generated by the asset or group of assets;
- the amount that could be realized by selling the assets or group of assets; and
- the net realizable value of any collateral held to secure repayment of the assets or group of assets.

When the events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in net income up to the amount of the previously recognized impairment.

#### 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 \$96,534 (2020 - \$79,517) 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 \$113,709 (2020 - \$54,326).

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# FarmWorks Investment Co-operative Limited

## Notes to the Financial Statements

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December 31, 2021

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### 2. Significant accounting policies (continued)

#### 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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### 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% (2020 - 29.5%) to the (loss) income for the years as follows:

	<u>2021</u>	<u>2020</u>
(Loss) income for the year before income taxes	<u>\$ (1,129)</u>	<u>\$ 14,508</u>
Anticipated income tax (recovery)	\$ (327)	\$ 4,280
Tax effect of the following:		
Prior year reassessments	4,087	-
Non-deductible expenses	109	295
Other	<u>-</u>	<u>334</u>
Income tax expense	<u>\$ 3,869</u>	<u>\$ 4,909</u>

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### 4. Loan receivable

	<u>2021</u>	<u>2020</u>
Total loans outstanding	<b>\$ 3,510,319</b>	\$ 2,920,695
Allowance for loan impairment	<u>(96,534)</u>	<u>(79,517)</u>
	<b>3,413,785</b>	2,841,178
Less current portion	<u>721,888</u>	<u>671,575</u>
	<u><b>\$ 2,691,897</b></u>	<u><b>\$ 2,169,603</b></u>

Loans receivable are unsecured.

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# FarmWorks Investment Co-operative Limited

## Notes to the Financial Statements

December 31, 2021

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#### 4. Loan receivable (continued)

Estimated principal repayments are as follows:

2022	\$ 721,888
2023	697,077
2024	617,396
2025	528,352
2026	349,267

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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>2021</u>	<u>2020</u>
38,502 common shares (2020 - 31,430)	<u>\$ 3,850,200</u>	<u>\$ 3,143,000</u>

During the year, 7,639 shares were issued for \$763,900 and 567 shares were redeemed for \$56,700.

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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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# FarmWorks Investment Co-operative Limited

## Notes to the Financial Statements

December 31, 2021

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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>2021</u>	<u>2020</u>
Loans as a percentage of Total Amount Outstanding Loans		
Loans less than \$50,000	40	54
Loans from \$50,000 - \$100,000	22	28
Loans greater than \$100,000	<u>38</u>	<u>18</u>
Total loans receivable	<u>100</u>	<u>100</u>
Loans as a percentage of the number of clients		
Loans less than \$50,000	79	84
Loans from \$50,000 - \$100,000	11	12
Loans greater than \$100,000	<u>10</u>	<u>4</u>
Total loans receivable	<u>100</u>	<u>100</u>
Loans subject to interest forgiveness		
Amount of 0% interest loans	\$ 67,447	\$ 157,884
Percentage of 0% interest loans	2	5

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### 8. Subsequent events

Subsequent to year end, the co-operative concluded its eleventh offering in March 2022, resulting in the issue of 6,228 common shares and the redemption of 622 common shares for a net increase of \$560,600 in share capital.

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### 9. Comparative figures

Comparative figures have been adjusted to conform to changes in the current year presentation.

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