



Financial Statements

FarmWorks Investment Co-operative Limited

December 31, 2017

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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, 2017, and the statements of income and deficit 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 these financial statements do not present fairly, in all material respects, the financial position of FarmWorks Investment Co-operative Limited as at December 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Emphasis of matter

The financial statements of FarmWorks Investment Co-operative Limited for the year ended December 31, 2016 were reviewed by another practitioner.

Kentville, Canada
April 24, 2018

Grant Thornton LLP

Chartered Professional Accountants
Licensed Public Accountants

FarmWorks Investment Co-operative Limited

Statements of Income and Deficit

| Year ended December 31 | 2017 | 2016 |
|----------------------------|--------------------|--------------------|
| Revenue | | |
| Interest | \$ 70,642 | \$ 51,709 |
| Miscellaneous | <u>555</u> | <u>1,175</u> |
| | <u>71,197</u> | <u>52,884</u> |
| Expenses | | |
| Advertising and promotion | 4,985 | 3,692 |
| Insurance | 1,452 | 1,356 |
| Interest and bank charges | 705 | 283 |
| Memberships and licenses | 653 | 453 |
| Offering expenses | 3,752 | 8,546 |
| Professional fees | 13,293 | 14,433 |
| Provision for bad debts | 11,084 | 35,900 |
| Sub-contracts | - | 12,600 |
| Travel | <u>3,805</u> | <u>4,557</u> |
| | <u>39,729</u> | <u>81,820</u> |
| Net income (loss) | <u>\$ 31,468</u> | <u>\$ (28,936)</u> |
| Deficit, beginning of year | \$ (67,479) | \$ (38,543) |
| Net income (loss) | <u>31,468</u> | <u>(28,936)</u> |
| Deficit, end of year | <u>\$ (36,011)</u> | <u>\$ (67,479)</u> |

FarmWorks Investment Co-operative Limited

Balance Sheet

December 31

2017

2016

Assets

Current

| | | |
|--|---------------------|---------------------|
| Cash and cash equivalents | \$ 355,180 | \$ 314,529 |
| Receivables | 6,522 | 3,210 |
| Prepays | 566 | 296 |
| Current portion of loans receivable (Note 3) | <u>373,941</u> | <u>252,744</u> |
| | 736,209 | 570,779 |
| Loans receivable (Note 3) | <u>1,004,607</u> | <u>764,342</u> |
| | <u>\$ 1,740,816</u> | <u>\$ 1,335,121</u> |

Liabilities

Current

| | | |
|-----------------------|----------|----------|
| Payables and accruals | \$ 7,227 | \$ 1,900 |
|-----------------------|----------|----------|

Shareholders' equity

| | | |
|------------------------|---------------------|---------------------|
| Share capital (Note 4) | 1,769,600 | 1,400,700 |
| Deficit | <u>(36,011)</u> | <u>(67,479)</u> |
| | <u>1,733,589</u> | <u>1,333,221</u> |
| | <u>\$ 1,740,816</u> | <u>\$ 1,335,121</u> |

On behalf of the board

_____ Director

_____ Director

FarmWorks Investment Co-operative Limited

Statement of Cash Flows

| Year ended December 31 | 2017 | 2016 |
|--|-------------------|-------------------|
| Increase (decrease) in cash and cash equivalents | | |
| Operating | | |
| Net income (loss) | \$ 31,468 | \$ (28,936) |
| Item not affecting cash | | |
| Provision for doubtful accounts | <u>11,084</u> | <u>36,000</u> |
| | 42,552 | 7,064 |
| Change in non-cash working capital items | | |
| Receivables | (3,312) | (575) |
| Prepays | (270) | (296) |
| Payables and accruals | <u>5,328</u> | <u>(2,183)</u> |
| | <u>44,298</u> | <u>4,010</u> |
| Financing | | |
| Redemption of share capital | (10,000) | - |
| Issuance of share capital | <u>378,900</u> | <u>372,300</u> |
| | <u>368,900</u> | <u>372,300</u> |
| Investing | | |
| Issue of loans receivable | (654,895) | (377,009) |
| Collection of loans receivable | <u>282,348</u> | <u>198,279</u> |
| | <u>(372,547)</u> | <u>(178,730)</u> |
| Increase in cash and cash equivalents | 40,651 | 197,580 |
| Cash and cash equivalents | | |
| Beginning of year | <u>314,529</u> | <u>116,949</u> |
| End of year | <u>\$ 355,180</u> | <u>\$ 314,529</u> |

FarmWorks Investment Co-operative Limited

Notes to the Financial Statements

December 31, 2017

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 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 liabilities 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

December 31, 2017

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 loan impairment of \$24,000 is included in Note 3. 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 \$11,084.

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.

FarmWorks Investment Co-operative Limited

Notes to the Financial Statements

December 31, 2017

| 3. Loans receivable | <u>2017</u> | <u>2016</u> |
|--|----------------------------|--------------------------|
| Loans receivable bearing interest at 6%, maturing from 2018 to 2027. | \$ 1,402,548 | \$ 1,053,086 |
| Allowance for loan impairment | <u>(24,000)</u> | <u>(36,000)</u> |
| | 1,378,548 | 1,017,086 |
| Less current portion | <u>373,941</u> | <u>252,744</u> |
| | <u>\$ 1,004,607</u> | <u>\$ 764,342</u> |

Loans receivable are unsecured.

Estimated principal repayments are as follows:

| | |
|------|------------|
| 2018 | \$ 373,941 |
| 2019 | 312,941 |
| 2020 | 285,975 |
| 2021 | 232,555 |
| 2022 | 150,991 |

4. Share capital

Authorized

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

Issued

| | <u>2017</u> | <u>2016</u> |
|--------------------------------------|----------------------------|----------------------------|
| 17,689 Common shares (2016 - 14,000) | <u>\$ 1,769,600</u> | <u>\$ 1,400,700</u> |

During the year 3,745 shares were issued for \$378,900 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 the year 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

December 31, 2017

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 the prior year.

7. Subsequent events

Subsequent to year end the co-operative concluded its seventh offering in March 2018, resulting in the issue of 4,440 common shares for a total of \$444,000.
