FarmWorks Investment Co-operative Limited

Unaudited Financial Statements and

Sunday, September 30, 2018

Prepared by:
Management
Greenwich, Nova Scotia

FarmWorks Investment Co-operative Limited
Statements of Income and Deficit
For the Nine Months Ended September 30, 2018
(Unaudited – See Notice to Reader)

	9/30/2018	12/31/2017
Revenue		
Interest income	**$66,509**	70,642
Miscellaneous revenue	**7,547**	555
	74,056	71,197
Expenses		
Wages and benefits	**14,234**	
Advertising and promotion	**2,374**	4,985
Insurance	**1,295**	1,452
Interest and bank charges	**554**	705
Memberships and licenses	**630**	653
Offering expenses	**1,185**	3,752
Professional fees	**10,409**	13,293
Bad debt	**1,999**	11,084
Office expense	**1,321**	
Travel	**3,382**	3,805
	37,383	39,729
Net Income (Loss)	**36,673**	31,468
Retained earnings, (Deficit), beginning of year	**-36,011**	-67,479
Net income (loss)	**36,673**	31,468
Retained earnings, (Deficit), end of year	**662**	-36,011

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

FarmWorks Investment Co-operative Limited
Balance Sheet
September 30, 2018 (Unaudited-See Notice to Reader)

	9/30/2018	12/31/2017
Assets		
Current		
Bank	**136,193**	72,474
Savings	**247,503**	282,706
Receivables	**3,568**	6,522
Prepaids	**1,009**	566
Current portion of loans receivable, at amortized cost (Note 3)	**479,543**	373,941
	867,816	736,209
Loans receivable (Note 3)	**1,364,833**	1,028,607
Allowance for loan impairment (Note 3)	**-24,000**	-24,000
	2,208,649	1,740,816
Liabilities		
Current		
Payables and accruals	**2,466**	7,227
Employee deductions payable	**1,921**	
	4,387	7,227
Equity		
Share capital (Note 4)	**2,203,600**	1,769,600
Gain(Deficit)	**662**	-36,011
	2,204,262	1,733,589
	2,208,649	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 Nine Months Ended September 30, 2018
(Unaudited – See Notice to Reader)

	9/30/2018	12/31/2017
Increase (decrease) in cash and cash equivalents		
Operating		
Net income	**36,673**	31,468
Provision for doubtful accounts		11,084
Change in non-cash operating working capital		
Receivables	**2,954**	-3,312
Prepaids	**-443**	-270
Payables and accruals	**-2,840**	5,328
	36,344	44,298
Investing		
Issue of loans receivable	**-691,495**	-654,895
Collection of loans receivable	**249,667**	282,348
	-441,828	-372,547
Financing		
Proceeds from issue of common stock	**444,000**	378,900
Redemption of share capital	**-10,000**	-10,000
	434,000	368,900
Net increase (decrease) in cash and cash equivalents	**28,516**	40,651
Cash and cash equivalents, beginning of year	**355,180**	314,529
Cash and cash equivalents, end of period	**$383,696**	$355,180

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

FarmWorks Investment Co-operative Limited
Notes to the Financial Statements
September 30, 2018 (Unaudited-See Notice to Reader)

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 amonts 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
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).

3. Loans Receivable

	2018	2017
Loans receivable bearing interest at 6%, maturing from 2019 to 2028, at amortized cost.	**1,844,376**	1,402,548
Allowance for loan impairment	**-24,000**	-24,000
Total debt	**1,820,376**	1,378,548
Current portion of loans receivable, at amortized cost	**479,543**	373,941
	1,340,833	1,004,607

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

September 2019	479,543
September 2020	414,597
September 2021	360,778
September 2022	322,207
September 2023	184,088
September 2024	36,541
September 2025	26,473
September 2026	9,600
September 2027	4,623
September 2028	5,926

4. Share capital

Authorized

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

Issued	**September 30, 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.

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.