FARMWORKS ANNUAL REPORT APRIL & JULY 2020

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ONLINE, FACILITATED BY JOEL STODDART, JULY 28TH, 2020

Chair's Report

Normally we would have had the Annual General Meeting of FarmWorks Investment Cooperative Fund on a date late in April. However, COVID 19 changed our plans and we hope you can join us online at 6:45 pm on July 28th. Please RSVP lbest@ns.sympatico.ca if possible so that Joel Stoddart, Acadia Enterprise Centre, will have a general idea how many may attend. Thanks to Joel, who is a FarmWorks Shareholder, and Acadia for kindly managing this Zoom virtual meeting for us.

The 2019 Financial Statements reviewed by Grant Thornton were posted on the website in April. Please review those if you haven't done so already, watch the presentations describing FarmWorks Clients on the website and review the June Interim Financial Statement and contact us with any questions.

Our 2019 year was extremely successful. We kept your funds flowing to qualified food producers, processors and restaurants as they grew, innovated, developed infrastructure and expanded their capacity to produce and use our own food, here in Nova Scotia.

The Board continues to take steps to ensure the sustainability of the fund. Our first full-time employee moved on in August to obtain a Masters degree at the University of Ottawa. Her year plus of work with the Board demonstrated the value having assistance with the complex work that we do. In 2020, we designated Linda Best as our first Managing Director. For a very nominal stipend, she is responsible for coordinating the overall operations of FarmWorks – work she has so ably been doing on a volunteer basis since FarmWorks began. In addition to the work Linda does, the Board believes that the needs of FarmWorks will be best met by contracting a number of individuals to provide specific expertise and support. We currently pay for services from a part-time bookkeeper who works closely with Linda, monitoring our finances and helping the Board keep close track of our financial position. In addition we have engaged a number of volunteer advisors, including a qualified CA, to help with our client interactions and to support to our ever expanding list of clients. While the Board of Directors are volunteers, we have implemented a frugal expenses policy to help offset the costs incurred when doing FarmWorks' business and we are paying a nominal rental fee for office space.

The Ninth Offer of FarmWorks shares closed on March 2, 2020. Our Treasurer, Linda Best has already shared with you that this offering was the most successful thus far, raising $523,000 and bringing the amount raised to $3,226,600 in capital. Of this amount only 2.2% has been redeemed, primarily by persons reaching 71 years of age. The additional capital will help us support our clients as they navigate through this complicated time.

In March the Board recognized the approaching global COVID19 pandemic and prepared to react to the impact of this event on FarmWorks enterprises. The pandemic has demonstrated the importance of locally available nutritious food and the FarmWorks family stepped up to respond to the needs of their customers and their communities. Farmers are growing more this year, food retailers are providing customers with safe food procurement processes including phone ordering and curbside pick-up, delivery services, some are becoming local hubs to aggregate product from local producers and offering safe shopping experiences, some are providing take out and prepared meal delivery services, seeds can be ordered on-line, and farm-gate sales are increasing. The restaurants that initially closed their doors have reopened to meet the demand for excellent take-out and more recently, dine-in options.

All clients operating at the time of the shutdown are back in operation. Many of our clients had temporary reductions in their cash flow either because of loss of sales or the loss of off-farm income. The Board offered deferral of all payments for two or more months for any clients who needed this help. The Board knows that we are all in this together and believes in the viability of the businesses your investments support. We know that by providing support now, we will strengthen the local food economy and our communities. We encourage you to check the map of FarmWorks Clients and make purchases from them when possible.

With gratitude from our clients for your support.

Johanna Kwakernaak
Chair, FarmWorks Investment Co-operative Limited

Contents

Chair's Report 1
Investment 2
Lending and Financial Overview.....3, 4
Vision, Mission, CED 5, 6
Lending 7
CEDIF.....8
Directors 9
Review 10

Investment

FarmWorks is making a significant difference in the year-round availability of good food for Nova Scotians. Loans assist farm startups and expansions, restaurants and cafés, stores and farm markets, seed growers and cideries and many other enterprises that are building food-related capacity in Nova Scotia. Over 400 people who have purchased shares in FarmWorks can confidently say that they're helping to grow sustainable food-related businesses from field to fork to future.

Shareholders' investments are shown here. Invested amounts and averages have grown steadily except for 2019 when many new investors purchased smaller amounts of shares. Directors are pleased that 45% of Shareholders have invested from one to eight times.

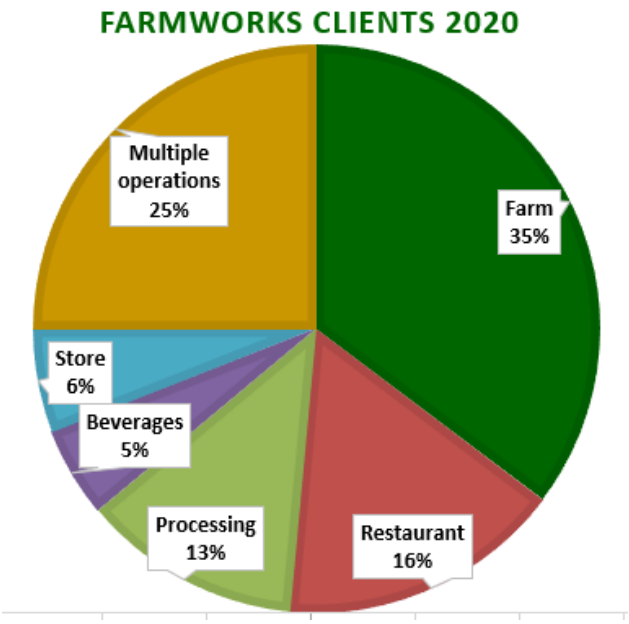
	Shareholders	Amount	Average	Total
2012	102	$ 224,200	$ 2,163	$ 224,200
2013	78	$ 225,300	$ 2,888	$ 449,500
2014	78	$ 271,500	$ 3,234	$ 721,000
2015	86	$ 312,400	$ 3,383	$ 1,033,400
2016	105	$ 372,300	$ 3,442	$ 1,405,000
2017	100	$ 378,900	$ 3,845	$ 1,784,600
2018	91	$ 444,000	$ 4,879	$ 2,226,800
2019	125	$ 483,300	$ 4,480	$ 2,711,900
2020	103	$ 516,700	$ 5,016	$ 3,226,600

Shareholders who invested in 2012, 2013, 2014 and 2015 have received the five-year 20% rollover tax credits and only 2.2% of investments have been redeemed over the eight years.

FarmWorks Directors sincerely thank the Shareholders – your confidence in Nova Scotian producers provides us with the opportunity to support outstanding business people who are providing excellent food and beverages. You might want to consider joining the Board so you can work more closely with farmers and producers in one of the most encouraging initiatives in Nova Scotia!

Lending

By the end of July 2020 about $5 million will have been loaned to FarmWorks businesses. Monthly repayments, other than during COVID, are greater than $50,000 and repaid funds are loaned to applicants who qualify, and with each new loan interest income increases.



Many clients operate interconnected businesses, such as farming and processing or processing and retail stores.

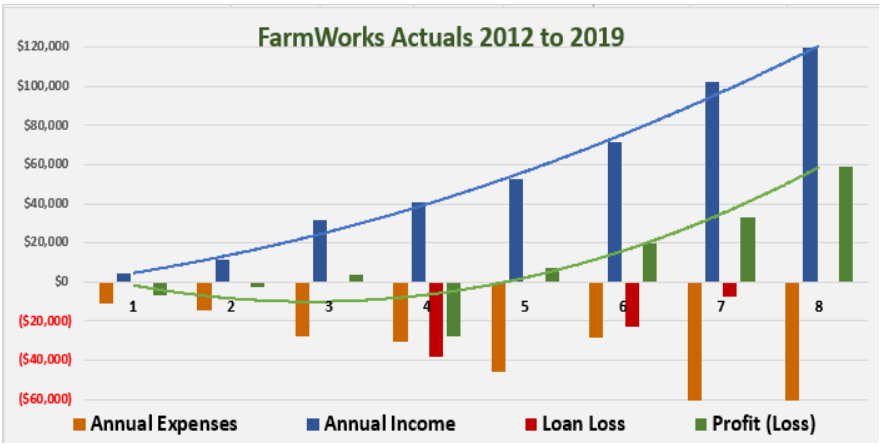
Over eight years 14 clients have repaid their loans but we consider them part of FarmWorks and two of them have subsequently borrowed from us to grow other parts of their businesses.

Unavoidable circumstances have led to the closure of eleven businesses but eight of those are continuing to pay on their loans. Total losses over eight years amount to 16% of income earned. FarmWorks loans are unsecured, as mandated by the CEDIF regulations, and security takes the form of supportive relationships with clients. Directors spend a significant amount of time maintaining contact with clients, and other related businesses, to provide encouragement and support. FarmWorks clients are outstanding contributors to the life and economy of Nova Scotia.

Financial Report

Directors are committed to building and maintaining the supportive relationships that are the foundation of this organization, and which are our best insurance against losses. Apart from the three losses shown in the chart, and three with challenges, the remainder continue to pay FarmWorks, even when times are tough for them. Several clients have gone through very rough patches and have returned to operation. Our aim is to help them succeed so that we all succeed. Including a significant loss in 2015, losses are 16% of revenue. Grant Thornton each year sets aside approximately 2% of capital as loan loss provision.

FarmWorks has been profitable in six of eight years. Directors are volunteers but there are unavoidable costs for travel, accounting, promotion and carrying out extensive due diligence prior to disbursing loans. As shown in the Table below, administration over eight years was 68% (target 33%) but the percentage is decreasing as interest revenue increases.



The Table shows the actual amounts of income, expenses and profit and loss for each of the eight years of operation. Wages and benefits of $23,714 in 2018 were offset by grants of $7,500 from the Clean Foundation and $7,727 from the Graduate to Opportunity program so the cost to FarmWorks was $8,487. For 2019 an additional $7,500 has received from the Clean Foundation.

We're very pleased that Keith Forsythe, CA, has volunteered to oversee FarmWorks' bookkeeping to decrease administrative costs. Barry Kendall of Grant Thornton has been appointed as FarmWorks' independent accountant, as required by the NS Department of Finance, for the 2019 year.

FarmWorks Actual 2012-2019 and Projections 2020									Totals	Projection
	2012 actual	2013 actual	2014 actual	2015 actual	2016 actual	2017 actual	2018 Actual	2019 Actual	2012-2019	2020
Offering Expenses	$5,043	$3,583	$5,858	$6,133	$8,546	$3,752	$2,072	$5,232	$40,219	$5,147
Bank and other fees	$131	$168	$251	$689	$283	$705	$813	$910	$3,950	$692
Professional fees	$2,329	$2,713	$5,658	$4,548	$14,433	$13,293	$17,053	$13,484	$73,511	$12,562
Insurance	$650	$1,551	$1,551	$1,551	$1,356	$1,452	$1,753	$2,322	$12,186	$2,250
Publicity	$2,954	$2,559	$2,694	$2,385	$3,692	$4,985	$6,090	$6,676	$32,035	$4,766
Memberships and fees							$3,507		$3,507	
Office and Miscellaneous	-	$200	$1,105	$1,075	$318	$653	$1,998	$5,310	$10,659	$8,971
Travel costs	-	$3,400	$5,960	$8,273	$4,557	$3,805	$4,846	$4,141	$34,982	$5,124
Wages and Benefits							$23,714	$22,185	$45,899	
Sub-contracts	-	-	$4,454	$5,600	$12,600	-			$22,654	$6,000
Annual Expenses	**($11,107)**	**($14,174)**	**($27,531)**	**($30,254)**	**($45,785)**	**($28,654)**	**($61,846)**	**($60,260)**	**($279,602)**	**($45,512)**
Interest Income	$1,116	$11,316	$31,444	$40,459	$52,884	$71,197	$87,129	$111,069	$406,614	$122,176
Other income	$3,114						$15,227	$8,192	$26,533	COVID 19 decrease
Annual Income	**$4,230**	**$11,316**	**$31,444**	**$40,459**	**$52,884**	**$71,197**	**$102,356**	**$119,261**	**$433,147**	**$122,176**
Income after Expenses (loss)	**($6,877)**	**($2,858)**	**$3,913**	**$10,205**	**$7,099**	**$42,543**	**$40,510**	**$59,001**	**$153,545**	**$76,664**
Expenses as % of total income		125%	88%	75%	87%	60%	60%	51%	65%	38%
Loan Loss				($38,129)		($23,084)	($7,266)		($68,479)	($30,000)
Loan Loss as a % of Income				94%		33%	7%		16%	25%
Profit (Loss)	($6,877)	($2,858)	$3,913	($27,924)	$7,099	$19,459	$33,244	$59,001	$85,066	$46,664
Profit as a % of income	**-263%**	**-125%**	**12%**	**-169%**	**13%**	**27%**	**33%**	**49%**	**20%**	38%
Loan Loss Provision (Accountant)						($16,733)	($29,866)	($32,491)	($79,091)	($36,500)

VISION

Healthy Farms, Healthy Food

MISSION

Promote, and provide, strategic and responsible community investment in food production and distribution in order to help increase access to a sustainable local food supply for all Nova Scotians.

STRATEGIC GOALS

- Promote investing locally and buying local food to gain health, economic, social, environmental and other benefits that result from growing and processing food in Nova Scotia.
- Use the Community Economic Development Investment program to enable Nova Scotians to invest a significant percentage of their capital in NS agriculture and food related enterprises.

OPERATIONAL GOALS

- Develop and market an annual Community Economic Development Investment Fund.
- Invest strategically in agricultural enterprises to increase participants' sustainable local food production and profitability by 10% per year.
- Create mentoring support and help to facilitate farm and food-related innovation and diversification in partnership with government and non-government organizations.
- Monitor and evaluate other investment tools and investment opportunities.

Community Economic Development Plan

Objectives of the Community Economic Development Plan

1. In accordance with its Articles of Incorporation and Bylaws, FarmWorks Investment Co-operative Limited, a for-profit Co-operative with a Board of Directors elected by the shareholders who are residents of Nova Scotia, is:
    a. carrying on an active business that evaluates and makes eligible investments in active Nova Scotian businesses that will increase access to a sustainable local food supply for Nova Scotians;
    b. providing information and educating investors who are interested in supporting food producing enterprises in Nova Scotia with regard to the role of capital in business, the value of equity investments to the defined community and the rights and obligations of corporations and shareholders,
    c. investing the capital raised, to which a tax credit pursuant to the Act has been issued, in eligible food producing businesses in Nova Scotia,
    d. exercising ownership rights with respect to the eligible investments made by the corporation,
    e. providing the administrative support necessary to carry on the business of the corporation, including preparation of annual reports and the holding of meetings of shareholders and the Board of Directors,
2. FarmWorks Investment Co-operative is carrying on this business for the people of Nova Scotia in order to increase access to a sustainable local food supply for Nova Scotians,
3. FarmWorks Investment Co-operative Limited has made provision for annual general meetings of the shareholders,
4. FarmWorks Investment Co-operative Limited is providing mentoring support and help to facilitate farm and food-related innovation and diversification in partnership with government and non-government organizations.

5. FarmWorks Investment Co-operative Limited is monitoring and evaluating other investment tools and investment opportunities that may be used to achieve FarmWorks goals.

Community Economic Development Investors

6. Develop and market a Community Economic Development Investment Fund that raises a minimum of $50,000 up to a maximum of $1,000,000 of equity capital in each Offer, and
   a. the equity shares are of only one class without series and have never previously been issued,
   b. will be issued from the treasury of the corporation on being fully paid for in cash
   c. will, immediately following their issue, be registered in the name of each shareholder that purchases them or in the name of a trustee, if the shares are held by the trustee for the benefit of a shareholder,
   d. do not have any rights or restrictions that may be prohibited by these regulations;
7. If a share certificate is not required to be issued to each new shareholder, an investment confirmation will be issued to each new shareholder within thirty days of share registration, setting out at least the following:
   e. the number of shares acquired, the price paid per share, the total amount paid, and the procedure for obtaining the tax credit receipt pursuant to the Act.

Community Economic Development Investment

8. FarmWorks Investment Co-operative grants loans at 6% for five years unless otherwise indicated.
9. FarmWorks will invest the proceeds of each Offering in eligible businesses that will strive to increase their sustainable local food production and profitability by 10% per year by the third year.

Community Economic Development Outcomes

Success for FarmWorks is a measurable increase in food production, positive outcomes for clients and a return on investment for shareholders. Overall success of FarmWorks initiatives: creating employment; contributing to an improving economic outlook for farmers and food producers; helping to restore rural vitality; provide wider access to healthy food; and helping to remove the risks associated with lack of food self-sufficiency.

Local Source Market aims to boost the local economy and foster a vibrant and dynamic food culture in Nova Scotia

Grand Opening of Rising Tide Bakery and Two Islands Brewery in Parrsboro.

Lending Procedures

Capital for Food-Related Enterprises

Businesses seeking loans send a preliminary application to FarmWorks. If the business fits with FarmWorks principles and objectives, the applicant will be asked to submit a business plan and current and projected financial information to FarmWorks. Board Members and Advisors will evaluate the plan, visit the site, meet with the applicants and complete the Comprehensive Review. Loans are provided to qualifying enterprises to help them to increase production, sustainability, value-adding, marketing and related economic activity. The Board will make a decision and a loan agreement will be signed with successful applicants.

Borrowers will repay loans within two to five years at an interest rate that reflects both the unsecured nature of the loan and the patience of investors willing to accept moderate returns on investment. As repayments to FarmWorks are made, money will be loaned to other qualifying enterprises.

General Lending Criteria

The business will have strong, experienced and ethical management with a clear and compelling vision; the skills and will to execute the business plan and grow the enterprise and the potential to achieve a minimum of a 10% increase in production and profitability within three years. The business will provide financial information to FarmWorks and FarmWorks, when appropriate, will facilitate mentoring by appropriate Directors, Advisors or other specialists to help insure the success of the enterprise.

Social Impact

The business will meet food-related needs, stimulate economic growth, provide social and environmental benefits and collaborate with others to achieve benefits for other producers and consumers. FarmWorks will provide ongoing support in the form of promotion of the benefits of eating healthy local food and investing in local enterprises.

Characteristics of loans

- No application or legal fees and there are no charges for any assistance provided by Directors
- Loans are unsecured and no chattel security is taken
- No payments are required for the first three months following the month in which the loan is granted
- No interest charges for prepayment of all or part of the loan balance
- Businesses submit brief semi-annual reports and annual Financial Statements

Procedure

- Preliminary Application
- Confidentiality Agreement
- Presentation to Board and Advisors
- Business Plan, Business and Personal Financial Information
- Consultations with Applicant
- Comprehensive Evaluation
- Board Decision and Disbursement

Julie Cochrane, Cochrane's Family Farm, at the Truro Farmers' Market

Comprehensive Evaluation

Three or more of the Directors review all of the information, ask many questions, meet with the applicants and complete the 26 category questionnaire prior to sending a summary of the results to the Board for a vote.

Section		Total
Character	Rank 1 to 20	
Commitment	Rank 1 to 20	
Management	Rank 1 to 25	
Business Plan – Markets	Rank 1 to 25	
Business Plan – Materials/Methods	Rank 1 to 25	
Business Plan – Financials	Rank 1 to 25	
Viability	Rank 1 to 60	
Total	1 – 200	
Less than 130 do not proceed, 130 –160 reapply, greater than 160 proceed		

Community Economic Development Funds

CEDIFs are currently the best mechanism to efficiently and effectively leverage local capital to help build a sustainable agricultural and food economy, help rebuild rural communities and contribute to all aspects of life in the Province. FarmWorks provides the means for citizens to invest in multiple well-managed enterprises that are scaling up or launching agricultural and food-related businesses in NS.

FarmWorks Share Offers

The price per share is $100 and the minimum share purchase under each Offering is 1 share.

The number of Shares to be sold in each Offer is decided by the Directors. The recent offer was set at a minimum of 500 and a maximum of 20,000.

Shares are fully paid, newly issued voting common shares that are non-retractable, non-redeemable for 5 years, non-convertible and not restricted in profit sharing or participation upon dissolution.

Investments may be eligible for a 35% Nova Scotia non-refundable Equity Tax Credit which may be carried forwards 7 years and backward 3 years and for RRSP tax deferral.

Investments are eligible for further Equity Tax Credits of 20% and 10% at the 5 and 10 year investment anniversaries, respectively, if the CEDIF meets certain conditions.

Economic Impact of Local Investment

The 2016 FarmWorks Impact Survey will be repeated. Based on the earlier survey, it is expected that FarmWorks-supported businesses are now generating at least $25,000,000 in annual gross business revenues and employing at least 350 people. These businesses are providing local employment and are purchasing goods and services in the province, they're providing good food and are raising awareness of the benefits of supporting the local economy, they're supporting community endeavours, their restaurants have become hubs for their communities and are contributing to year-round tourism.

BC Rural Centre – Economic Assessment of FarmWorks CEDIF

https://www.bcruralcentre.org/wp-content/uploads/2017/08/BC-Rural-Centre-FarmWorks-CEDIF-Final-Report.pdf

Business surveys in rural Canada have consistently identified access to business investment capital as one of the major barriers to business development and expansion – especially for new business start-ups and entrepreneurs with limited financial resources. Over the past decade, Canada's major banks have closed a significant number of rural bank branches and commercial lending has become increasing centralized – adding further to business development challenges in smaller rural communities. Indeed, the recognized lack of financing for small businesses was one of the primary reasons the Nova Scotia government initially created the CEDIF program. From the survey results it is clear that the FarmWorks CEDIF is filling an important small business financing gap.

Most rural BC communities are also desperate to attract young people back to their communities. The popularity of the Young Agrarian movement would suggest that agriculture sector development is certainly a draw for some young people. However, young individuals and families with limited financial resources and business experience will find it difficult to access business capital from traditional sources. These individuals would also benefit from additional business coaching supports not typically available from the big banks or Credit Unions. This survey has demonstrated that the FarmWorks CEDIF has been very successful as an effective food-related business development initiative. Finally, the data collected does demonstrate that the Nova Scotia provincial government is receiving a very positive return-on-investment from the CEDIF program. Indeed, the Nova Scotia CEDIF program is so successful that other provinces have – or are being encouraged too – develop similar programs.

Slate of Directors

Field to Fork to Future

FarmWorks supports food related entrepreneurs. There are challenges and opportunities throughout the local food system and clients' successes affect FarmWorks outcomes.

There is growing interest in revitalizing Nova Scotia's food and agriculture sectors. Health, security of food supply, awareness of the benefits of buying local and of environmental and social challenges – are creating opportunities. New crops and procedures and value-added products, many with profit margin potential exceeding traditional production, are coming to market but investment in the means of production is needed. Active support from consumers is providing opportunities but producer to consumer links need to be developed to integrate supply chains. Interest in agriculture as a life choice is increasing, attracting younger participants and driving innovation but new entrepreneurs can lack the expertise and resources to refine and foster promising opportunities.

Entrepreneurs require capital and resources to help them find solutions. What technical, business and development resources are, or should be, available? When, where and how should they be accessible? How can a pool of successful small businesses collaborate successfully?

We share a common desire to invest in our communities and reap the benefits of that investment. Money spent on food is a powerful investment tool. Local and regional food production helps increase entrepreneurship opportunities in rural communities while expanding food access and benefiting the economy. Buying and Investing locally helps ensure greater availability of local food now and in the future.

FarmWorks Investment Co-Operative Limited – Dr. Alison Blay-Palmer

"Local and sustainable community food initiatives reflect growing public awareness that food can act as a vehicle for positive change"

FarmWorks, in Nova Scotia, is bringing leadership through innovation to the Canadian food system. By integrating Community Economic Development Investment Fund (CEDIF) opportunities to support emerging and existing food system entrepreneurs, FarmWorks is re-establishing and connecting the pieces needed for a more localized Nova Scotia food system. FarmWorks has raised over $2.7 million in investment capital from Shareholders and uses this money to support food related businesses across the province.

FarmWorks captures Food: Locally Embedded, Globally Engaged (FLEdGE) Partnership themes under its inclusive umbrella as they provide opportunities for integration and scaling up across their regions. They also offer an excellent example of the potential of innovative governance as they adopt and adapt the CEDIF program to meet food system needs.

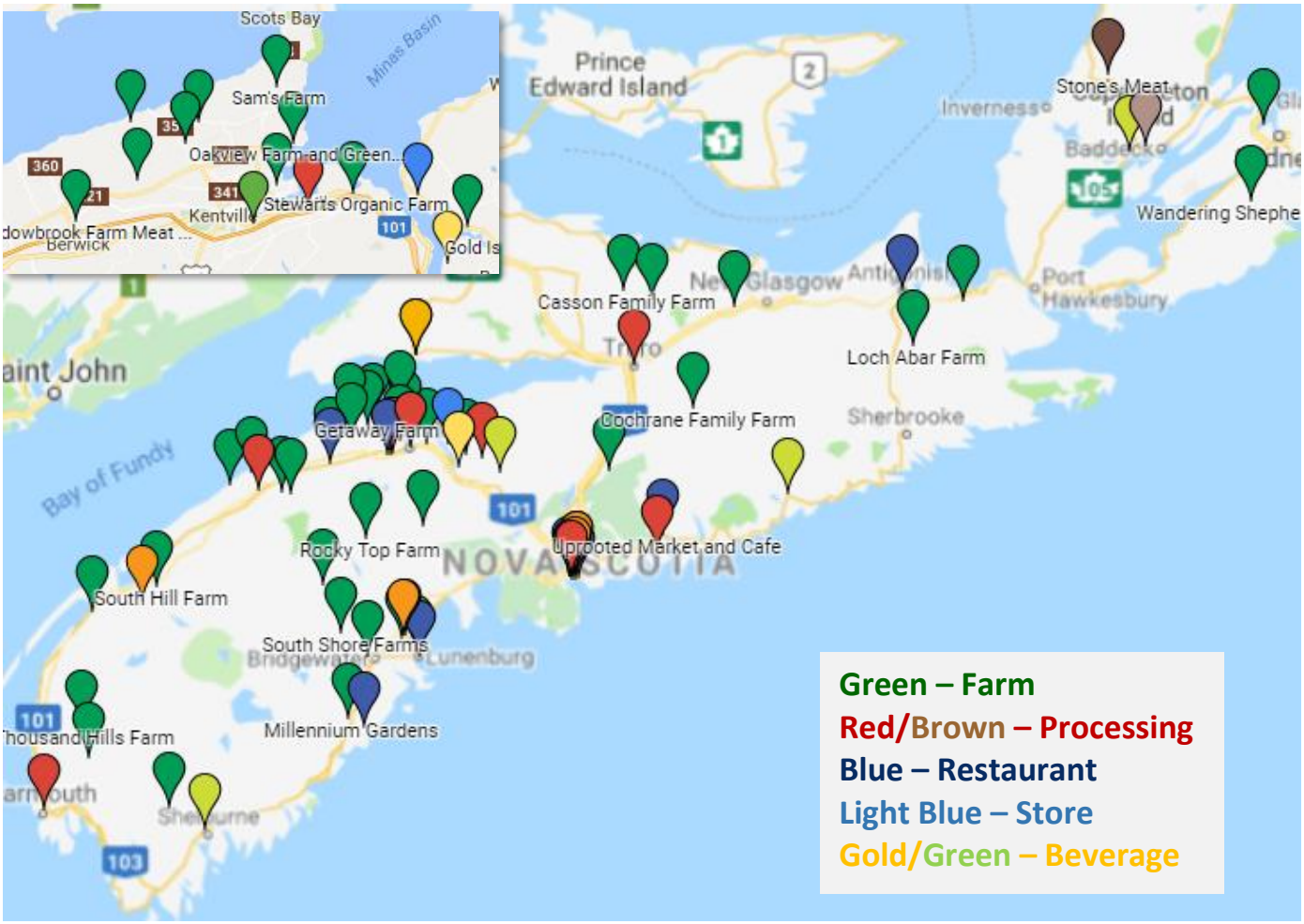
The impact and potential of this approach is recognized beyond the province as Linda Best, a FarmWorks founding Board Member, is invited to present on their groundbreaking work in many places outside Nova Scotia including at the Southern Interior Keeping it Rural Conference in Salmon Arm, BC, followed by consulting for the Kamloops Community Investment Team. Her advice was also sought by VanCity, itself an innovative force on the Canadian co-operative landscape, as they established their Knives and Forks Community Investment Cooperative. Linda has also presented at Slow Money in Louisville Kentucky, at Food Farm Fish and Finance sponsored by Sustain Ontario, at the Canadian Rural Revitalization Foundation and has engaged in conversations across the Atlantic provinces and with US colleagues in Maine and Minnesota, broadly expanding awareness of FarmWorks.

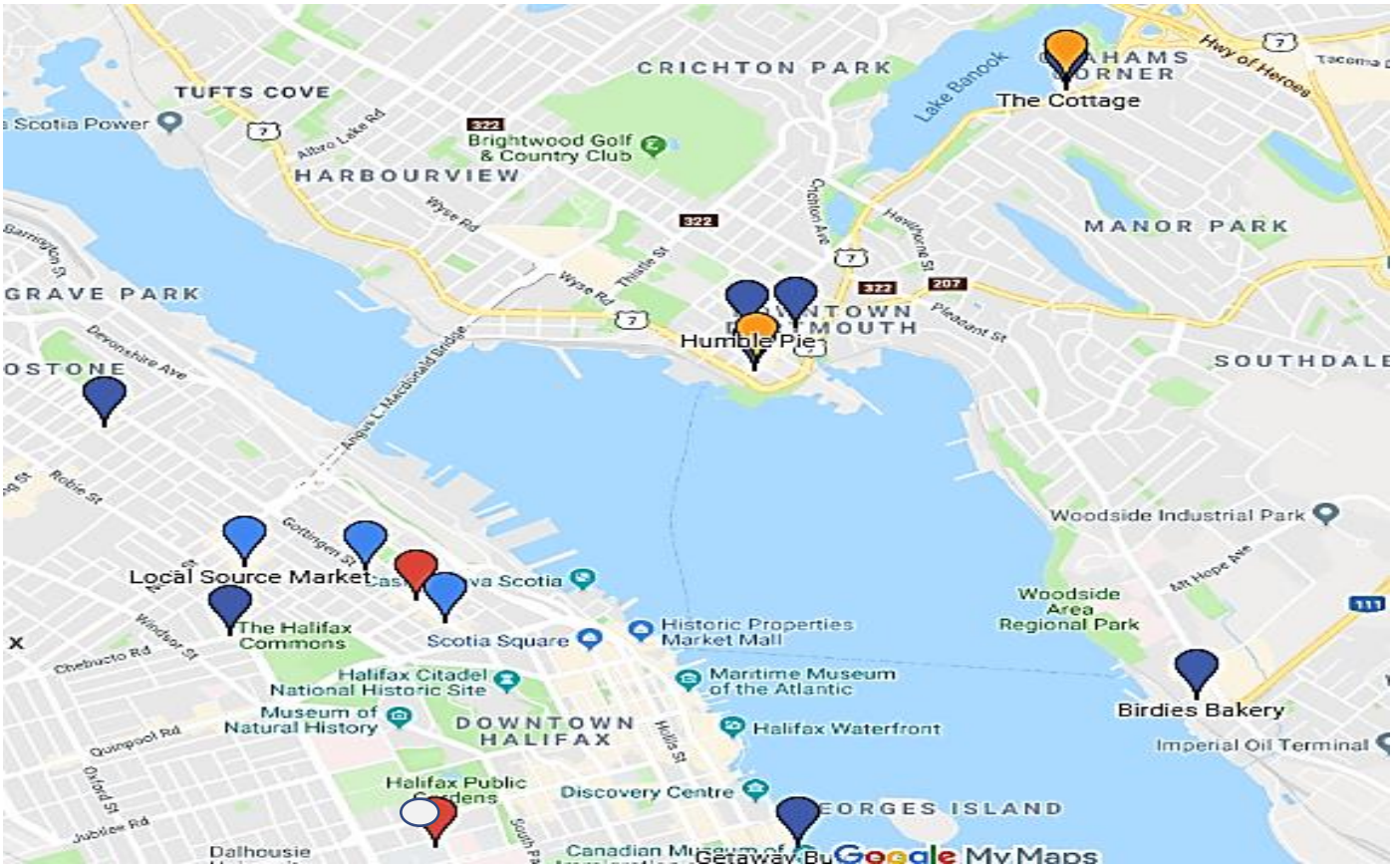
The goal is to continue to help move the needle for local food production from the estimated 13% (Scott, Cameron, Benjamin 2010) to 20% by 2020 as mandated by Nova Scotia's Environmental Goals and Sustainable Prosperity Act. Every additional 10% of food dollars spent by Nova Scotians on local food could increase total income for local farmers by more than $30 million dollars.

There are uncounted opportunities for food production to be a catalyst for rural economic development, and all Nova Scotians benefit from the production and provision of healthy food. FarmWorks volunteer Board of Directors and Shareholders are helping to grow resilient communities by supporting Nova Scotian entrepreneurs.

Dr. Alison Blay-Palmer

FLEdGE Partnership, Director of the Wilfrid Laurier University Centre for Sustainable Food Systems, Innovation Chair in Sustainable Food Systems at the Centre for International Governance, Balsillie School of International Affairs


Scots Bay
Sam's Farm
Oakview Farm and Green...
Stewarts Organic Farm
Kentville
Gold Is
Prince Edward Island
Stone's Meat
Wandering Shephe
Casson Family Farm
Loch Abar Farm
Getaway Farm
Cochrane Family Farm
Sherbrooke
Rocky Top Farm
Uprooted Market and Cafe
South Hill Farm
South Shore Farms
Millennium Gardens
Bay of Fundy
NOVA SCOTIA
Green – Farm
Red/Brown – Processing
Blue – Restaurant
Light Blue – Store
Gold/Green – Beverage


TUFTS COVE
CRICHTON PARK
The Cottage
Brightwood Golf & Country Club
HARBOURVIEW
MANOR PARK
Humble Pie
SOUTHDALE
Woodside Industrial Park
Local Source Market
The Halifax Commons
Scotia Square
Historic Properties Market Mall
Woodside Area Regional Park
Halifax Citadel National Historic Site
Maritime Museum of the Atlantic
Museum of Natural History
DOWNTOWN HALIFAX
Halifax Waterfront
Birdies Bakery
Imperial Oil Terminal
Halifax Public Gardens
Discovery Centre
Dalhousie
Google My Maps