

FarmWorks Annual Report April 30th 2023



FOOD GROWS HERE!



**FARMWORKS INVESTMENT
CO-OPERATIVE LIMITED
FARMWORKS.CA**

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**The Wooden Monkey, Alderney Landing, Dartmouth
2 PM, April 30th, 2023**

Online <https://us02web.zoom.us/j/83852623638>

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Chair’s Report

Dear FarmWorks Members,

As Chair, I am so proud of what is accomplished by everyone involved with FarmWorks. FarmWorks has had another successful year, continuing its steady growth towards its vision of *Healthy Farms and Healthy Food*.

The Board of Directors has worked diligently to support successful production of local food by lending over \$1.6 million to new and existing clients in 2022 and the total over eleven years has reached \$8.2 million. Our recent twelfth offer of shares raised an additional \$574,900 bringing our capital to \$5,209,300. FarmWorks is profitable and is now able to engage an employee. Nadia Gerrits is an excellent addition to FarmWorks, having grown up on a farm, worked in several health and food businesses, and having owned and operated a farm market and formerly being a client.

In the later part of 2022 Directors started getting back out into the community, meeting and supporting clients and engaging with organizations integral to food production in Nova Scotia. We attended various events, conferences, and trade shows, learning and educating, and promoting the importance of local food and the role of FarmWorks. An extensive network of partners in our community increases everyone’s impact. Together we are stronger and able to make greater progress towards shared goals.

There are many challenges in food systems, and FarmWorks’ mission is to help navigate the shoals. As we shifted from under pandemic restrictions new challenges arose, including supply chain disruptions, inflation, labour shortages climate impacts and a storm called Fiona. These challenges increase the necessity for supporting local producers and local production. FarmWorks is at the forefront, appropriately providing funds and mentoring and promoting food producers. We were able to help clients confronted with challenges to find effective solutions to increase their resilience.

Once we were on the road again in 2022, we had many opportunities to meet clients in person and to see them in action. The people supported by FarmWorks are among the very best of Nova Scotian food providers. We have a new website that tells a bit of the story of each client and is a reference for everyone interested in learning about local food and beverages. Our Clients and the Directors thank you, the shareholders, for your continuing investments that are a crucial ingredient for cultivating more healthy local food.

FarmWorks’ clients are committed to their businesses and their employees, their communities, the environment, the sustainability of their businesses, and the Nova Scotian economy. They support the culture of all the people of the province. They step up to advise, mentor and collaborate with others in the FarmWorks family. They are models for all of us and it is a privilege for FarmWorks to be part of their journeys.

Directors continue to conduct some of our business, including Board meetings, virtually, but when possible we visit clients and applicants to discuss their challenges, plans and opportunities. There are benefits to virtual meetings since FarmWorks operates all across Nova Scotia, and it can be helpful and immediate to interact without the challenges and costs of travel. But technology cannot replace the value of in-person meetings. For example, the twelfth offer “Gentle

DIRECTORS 2022

Johana Kwakernaak – Berwick	Chair
Keith Rudderham – Halifax, Point Edward	Vice-chair
Ginny Point – Black River	Secretary
Avila Coutinho – Windsor	Treasurer
Linda Best – Greenwich	Managing Director
Murray Coolican – Halifax	External Relations
Aaron Eisses – Halifax	Director
Barb Boates-Sweet – Halifax	Director
Charlie MacLean – North Sydney	Director
Robin McAdam – Halifax	Director
Joe MacEachern – New Glasgow	Director
Amin Tran – Windsor	Independent Director
Dave Oulton – Windsor	Independent Director

Dragons” were magical. Each session brought clients, potential applicants, shareholders, and potential investors together with several Directors. Every session was different, and at each session businesses and ideas and visions were described with everyone learning and building on each others’ ideas. Everyone gained a greater appreciation of what FarmWorks is able to do to help build a healthier and more food secure Nova Scotia.

None of this would be possible without our entire Board of Directors, our bookkeeper Chris MacQuarrie, volunteer financial advisor Keith Forsythe, our new employee, Nadia Gerrits, and the tireless work of our Managing Director Linda Best, together with our clients, and you, our shareholders.

We continue to “Promote and provide strategic and responsible community investment in food production and distribution to increase access to sustainable local food for all Nova Scotians.”

Johanna Kwakernaak, Chair



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, brewers and distributors, and many other enterprises that are building food-related capacity in Nova Scotia. The 573 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 in the accompanying chart. Invested amounts and averages have grown steadily except for 2019 and 2022 when many new investors purchased smaller amounts of shares. Over 54% of Shareholders have invested from two to twelve times and only 6.6% of funds have been redeemed.

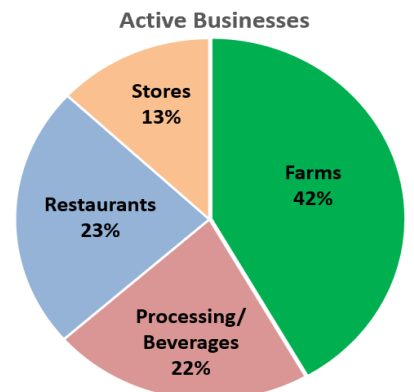
	Shareholders	Amount	Average	Total
2012	102	\$ 224,200	\$ 2,163	\$ 224,200
2013	78	\$ 225,300	\$ 2,888	\$ 449,500
2014	78	\$ 271,500	\$ 3,234	\$ 721,000
2015	86	\$ 312,400	\$ 3,383	\$1,033,400
2016	105	\$ 372,300	\$ 3,442	\$1,405,700
2017	100	\$ 378,900	\$ 3,845	\$1,784,600
2018	91	\$ 444,000	\$ 4,879	\$2,228,600
2019	125	\$ 483,300	\$ 4,480	\$2,711,900
2020	103	\$ 516,700	\$ 5,016	\$3,228,600
2021	127	\$ 783,300	\$ 5,965	\$4,011,900
2022	137	\$ 622,800	\$ 4,493	\$4,634,700
2023	112	\$ 574,900	\$ 5,133	\$5,209,600

FarmWorks Directors and Clients 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. Please 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

FarmWorks Directors are committed to building and maintaining the relationships that are the foundation of this organization, and our best insurance against losses. Loans are unsecured as mandated by the CEDIF regulations, and security takes the form of significant due diligence and supportive relationships with clients. The Directors endeavour to assist, or find Advisors to assist, with mentoring and promotion which are crucial for the success of clients. Directors spend a substantial amount of time maintaining contact with clients and providing encouragement and support.

By the end of March 2023 over \$8,700,000 had been loaned to 154 businesses. Monthly repayments are now above \$85,000 and as payments are made these funds are loaned to qualifying new applicants and interest income increases.



Over 25% of clients operate interconnected businesses, such as farming and processing, or processing and retail stores. Links between supported businesses continue to grow, and FarmWorks is often thanked for making connections, including through events like “FarmWorks Connects” and introductions.

Over eleven years 42 loans have been repaid and many former clients continue to be part of the FarmWorks family. To date, eight have borrowed again to grow other parts of their businesses. Circumstances including health issues have led to transitions for four and closure of 19 businesses, and of those eleven have paid off or are paying on their loans, four are under consumer protection with a portion of the loans being recovered and eight were written off. Shareholder capital protection is a key element of FarmWorks’ due diligence and lending to a broad portfolio of businesses provides interest income to cover expenses and losses.

During COVID in 2020 when necessary Directors deferred two to four months principal and interest to help ensure the viability of the clients and no failures were directly due to COVID. In 2022 new challenges were arising with climate impacts, increasing costs of inputs, leveling off or slight decreases in sales in some sectors, labour issues, regulations and other impacts. We are concerned when any client struggles or falls but recognizing the challenges faced by food-related businesses we are very pleased with the overarching successes of the businesses we support. FarmWorks clients are outstanding contributors to the life and economy of Nova Scotia.

FINANCIAL REPORT

Keith Forsythe, volunteer accountant for FarmWorks, assists our paid Bookkeeper, Chris MacQuarrie, our recently hired Administrative Assistant, Nadia Gerrits and Linda Best, Managing Director. Directors are volunteers and carefully manage costs for travel, accounting, promotion and carrying out extensive due diligence prior to disbursing loans.

Barry Kendall of Grant Thornton was reconfirmed at the 2022 AGM as FarmWorks’ independent accountant, as required by the NS Department of Finance. Grant Thornton prepares FarmWorks’ annual Financial Statements which are posted at farmworks.ca prior to the Annual General Meeting. All Shareholdings and Financial Statements are submitted to the Nova Scotia Securities Commission and the Department of Finance twice annually.

This table shows the actual and projected amounts for the years 2016 to 2023 separate from Income Tax and the Loan Loss Provision (LLP) shown in the Financial Statements. The 2.7% LLP assessed by Grant Thornton is based on historical analysis of loss relative to total loans receivable in any year and is included in the Annual Financial Statements.

Actual and Projections	2016	2017	2018	2019	2020	2021	2022	2023 Proj
Annual Income	\$52,884	\$71,197	\$102,356	\$119,261	\$107,884	\$161,983	\$210,612	\$265,000
Annual Expenses	(\$45,785)	(\$28,654)	(\$61,846)	(\$57,364)	(\$39,050)	(\$49,403)	(\$80,543)	(\$105,000)
Loan Loss		(\$23,084)	(\$7,266)	(\$32,491)	(\$54,326)	(\$96,692)	(\$64,703)	(\$88,000)
Profit before LLP and Income Tax	\$7,099	\$19,459	\$33,244	\$29,406	\$14,508	\$15,888	\$65,366	\$72,000

FarmWorks has been profitable in the past seven years and last year discussions took place between Canada Revenue Agency and Grant Thornton regarding the CRA assessment. The 52% tax that had been assessed on profits was decreased to 29% and tax payable was adjusted accordingly.

Actual and projected administration costs at 44% continue to be above the 33% target but that percentage is decreasing as investment and resulting loan interest increases. The revenue in 2022 enabled FarmWorks to engage a full-time employee in November. The additional \$574,900 invested in the twelfth offer is projected to increase income to a minimum of \$265,000 in 2023. With increasing consumer awareness of the benefits of buying local food and beverages, and good management by clients and Directors, losses are expected to remain below the 33% target.

FARMWORKS COMMUNITY ECONOMIC DEVELOPMENT INVESTMENT FUND

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.
- 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.



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, for 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 to increase access to a sustainable local food supply for NS,
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 monitors and evaluates other investment tools and opportunities that may be used to achieve FarmWorks and clients' goals.
6. Develop and market a Community Economic Development Investment Fund that raises a minimum of \$50,000 up to a maximum of \$2,000,000 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.
8. FarmWorks Investment Co-operative grants loans at 6% for five years unless otherwise decided.
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.

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 Twelfth offer was set at a minimum of 50 (\$50,000) and a maximum of 20,000 shares (\$2,000,000).

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.



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 and other documents 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.

Borrowers repay loans within the period decided during the review 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, repaid funds are 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 all required information to FarmWorks and, when appropriate, FarmWorks 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
- No interest charges for prepayment of loan balance
- Businesses submit semi-annual reports and Financial Statements

Procedure

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

COMPREHENSIVE EVALUATION

Three or more of the Directors review all of the information, ask questions, meet with the applicants and complete a comprehensive questionnaire prior to sending a summary of the results to the whole Board of Directors for their votes. Loan agreements are signed when funds are disbursed.

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 FUND OUTCOMES

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 Nova Scotia.

The 2020 Survey Report – **Economic and Social Impacts of FarmWorks Support for Food Related Businesses in Nova Scotia** – described the success of FarmWorks clients: providing wider access to healthy food; creating employment; contributing to an improving economic outlook for farmers and food producers; helping to restore rural vitality; and helping to remove the risks associated with lack of food self-sufficiency.

The 2020 Survey was completed by 50 of 72 (69%) clients that had been in business for at least a year to gauge the economic and social impacts of their businesses, FarmWorks' support for them, clients' access to mentoring, their assessment of opportunities and challenges and the effects of COVID 19. Quantifying the economic and social impacts of FarmWorks' clients helps gauge the role of FarmWorks CEDIF in helping to grow rural and urban food-related businesses.

FarmWorks was successful in receiving from the Clean Foundation 60% of the salary for a 2023 summer student who will use a modified version of the survey with all clients including those who have repaid their loans. The results will enable comparison with the 2020 outcomes briefly described here.

The importance of FarmWorks loans was clear as 61% of clients indicated that their business would not have succeeded, and 37% considered success would be only somewhat likely without the loan and support. Thirty two percent of businesses used funding from FarmWorks to get started, 22% were doing poorly prior to the loan and 42% borrowed to improve their businesses. Most loans were multiple purpose, used for equipment purchases, working capital and leasehold improvements. In response to questions about support, 98% of clients indicated that FarmWorks' assistance was very or somewhat helpful.

The 50 respondents were generating approximately \$14,250,000 in annual gross business revenues with annual business expenditures of about \$12,900,000.

Multiplier effects ranging from 1.8 to 2.6 for food-related enterprises indicated that FarmWorks' clients' annual monetary impact in Nova Scotia ranged from \$40,000,000 to \$60,000,000. The 50 businesses indicated that prior to COVID 19 they had 233 full-time and part-time employees. Hourly wages ranged from the Nova Scotian minimum wage of \$12.55 to \$38.00 with an average of wage of \$15.47 and 84% of clients paid above the minimum.

FarmWorks-supported businesses provide local employment and they purchase goods and services in their area or the province, they provide good food and raise awareness of the benefits of supporting the local economy. They support



community endeavours, restaurants become hubs for their communities and restaurants, cafés and markets contribute to year-round tourism. In the 2020 survey FarmWorks clients contributed many thoughtful comments about FarmWorks, Nova Scotia's ability to be more food-secure, and the contributions of their businesses, such as the following: *"FarmWorks has been incredibly supportive and helpful in assisting us start up our business and with checking-in to see if there's anything we need along the way. We're very grateful that such a program exists for Nova Scotians! Thank you for keeping up with the important work everyone – N.S. has wonderfully hard-working and clever food producers under your umbrella :)"*

FIELD TO FORK TO FUTURE

There are challenges and opportunities throughout the local food system, and FarmWorks' Shareholders invest funds that enable Directors to provide capital and mentoring and promotional support for food related entrepreneurs who are working to increase production and grow new markets.

We all need to work together to continue revitalizing Nova Scotia's food and agriculture sectors. Increasing local production of good food is a crucial response to health, security of food supply, social, economic and environmental challenges. Healthy food for all citizens is a necessary solution which requires continuing investment in people and into the means of production, distribution, marketing and integration of local supply chains. Interest in agriculture is increasing, attracting younger participants and driving innovation but new entrepreneurs may lack the expertise and resources to refine and foster promising opportunities.

FarmWorks collaborates with other organizations and departments to help food entrepreneurs find funds and technical, business, and development resources.

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.

