

FarmWorks Annual Report April 28th 2024



FOOD GROWS HERE!



Office: 70 Eden Row, Greenwich, NS, B4P 2R2

Contact: lbest@ns.sympatico.ca

Phone: 902-542-3442, 902-670-3660

Annual General Meeting 2 PM, April 28th, 2024
Eltuek Arts Centre, 170 George Street, Sydney
Online <https://us02web.zoom.us/j/85623469374>



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Chair’s Report

To Shareholders and Clients of FarmWorks Investment Co-operative:

I grew up with my father growing a large vegetable garden, and a large flower garden. The flowers were his passion. the vegetables were his practical side. We ate what was in season, and what we didn’t eat or sell was preserved for winter consumption. We did not have a freezer separate from our refrigerator, so that method of preserving was not in use. My brother and I were enlisted to help with the garden chores, and we did not look forward to these seasonal tasks. However, looking back from my current vantage point, these tasks were one way of supplementing my father’s income, and we never went to bed hungry. It is unfortunate that the preponderance of the backyard gardeners from those days has dwindled to the rare exception in our mostly urban communities, where most consumers just go to the grocery store for their food requirements that are sourced from around the globe.

As we approach the end of my first year as the Board Chair of this august organization, it is perhaps time for some reflection on the past year, and thoughts for the future.

First of all, it has been a learning year for me in this role, and the intricacies of what we do, why we do it, and how we do it. The role that FarmWorks fills in the promotion of local agriculture in Nova Scotia is one that is of utmost importance. We have seen a large decline in agricultural production in Nova Scotia over the past fifty years, and most farms that are still operating have seen a large decline in their profit. Many of these farmers are now senior citizens and many have had to take day jobs in order to keep working their farms, as they could not make a living from just farming alone. Because of changes in our society, we are now at the mercy of the rest of the world to supply most of our food requirements. FarmWorks is trying to change this trend and help to grow our agriculture industry, create jobs while doing so, and ensure that we have access to fresh local foods that will provide us with good nutrition and help to stabilize and/or improve our health. These aspirations are not new or foreign. They should be the norm for everybody.

We have faced some challenges in the past year, and there will be more in the future, but there are many opportunities.

DIRECTORS 2023	
Charles MacLean – North Sydney	Chair
Keith Rudderham – Halifax, Point Edward	Vice-chair
Ginny Point – Black River	Secretary
Avila Coutinho – Windsor	Treasurer
Barb Boates-Sweet – Halifax	Assistant Treasurer
Linda Best – Greenwich	Managing Director
Murray Coolican – Halifax	Director
Joe MacEachern – New Glasgow	Director
Robin McAdam – Halifax	Director
Danny Martin - Dartmouth	Director
Hana Nelson – Big Island	Director
Chris Payne - Halifax	Independent Director
John Wray - Woodville	Independent Director

- We recently received a positive reply from the Nova Scotia Securities Commission, raising the financial ceiling in the C.E.D.I.F. program.
- We need to identify the options available for those shareholders who are approaching the end of their fifteen year investment period. We want them to have a reason to maintain their FarmWorks investment funds because we have a mechanism to give them a fair return on their investment.
- We need to find more young people who are interested in the farming lifestyle and assist them to be able to make a living doing so.
- We need to be able to effectively communicate with the Nova Scotia public about the positive effects of local food purchases, both for their personal health and for the health of the economy.
- We need to raise the profile of the farmers who work in our province. They do all manner of jobs on the farm every day, and shoulder the burden of risks in the process, yet they struggle to earn a reasonable return for their labour and investment. If this imbalance is not corrected, we will be at the mercy of the global supply chain.

We are very fortunate to have a varied and talented board of directors, who give of their time freely and participate in the process. We are also fortunate to have convinced Nadia to join our band of merry women and men, as Linda was not able to get approval to increase the daily hours to thirty-six from the current twenty-four. Both of these ladies go above and beyond the call of duty to forward the goals of our organization, and I do not know what we would do without them. My role as Board Chairperson is minimal compared to their everyday activities.

Regards,
Charlie

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.
- 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 by the Directors.
 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.

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 can 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.

Investing funds in FarmWorks' RRSP (through Canadian Workers Cooperative Federation) defers federal tax based on the investor's marginal tax rate. RRSP investments can gain the combined Provincial credit and Federal tax deferral and five and ten year NS tax credits.

Transferring existing RRSPs to FarmWorks gains the 35%, 20%, 10% Provincial tax credit on funds that otherwise sit outside Nova Scotia working for economies other than our own.



INVESTMENT

Shareholders’ investments in FarmWorks are 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.

Annual investments by shareholders are shown in the accompanying chart. The total amount invested has varied depending on external issues such as COVID and weather affecting Directors’ ability to meet with potential shareholders.

	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	\$ 622,500	\$ 4,493	\$ 4,634,400
2023	112	\$ 574,900	\$ 4,956	\$ 5,209,300
2024	100	\$ 474,000	\$ 4,740	\$ 5,683,300

Over 45% of Shareholders have invested from two to thirteen times and only 9.2% of funds have been redeemed, primarily by people redeeming RRSPs at age 71.

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 in future so you can work more closely with farmers and producers in one of the most encouraging initiatives in Nova Scotia!

LENDING

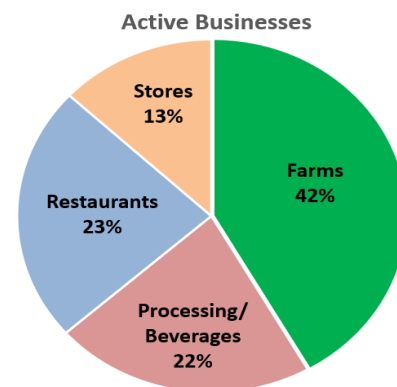
FarmWorks Directors are committed to building and maintaining the relationships that are the foundation of this organization, and our best insurance against losses. Loans are unsecured, as mandated by the CEDIF regulations, and security takes the form of significant due diligence and supportive relationships with clients. The Directors provide mentoring and, when appropriate, find advisors to assist, to help assure clients’ success. Directors spend a substantial amount of time promoting clients’ businesses and providing encouragement and support.

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 business to business introductions.

By the end of March 2024 just under \$10,000,000 has been loaned to 163 businesses. Monthly repayments are now above \$80,000 and as payments are made these funds are loaned to qualifying new applicants and interest income increases.

There are 106 current loans and over twelve years 61 loans have been repaid and many former clients continue to be part of the FarmWorks family. To date, 11 have borrowed again to grow other parts of their businesses. Circumstances including health issues have led to transitions for four and closure of 21 businesses, and of those 12 have paid off or are paying on their loans, five are under consumer protection with a portion of the loans being recovered and six were partially 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. Of the \$1,066,631 interest income since 2016 losses are 29% (\$308,568).

During COVID, 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 and 2023 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. Directors are very concerned when any client struggles or fails 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.



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		

FINANCIAL REPORT

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

Barry Kendall of Grant Thornton was reconfirmed at the 2023 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 2025 (2012 to 2015 income and expenses were equivalent) separate from the Income Tax and the Loan Loss Provision (LLP) shown in the Financial Statements. The 2.9% 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.

FarmWorks	2016	2017	2018	2019	2020	2021	2022	2023	Total	%	2024 Proj	2025 Proj
Actual and Projections												
Annual Expenses	(\$45,785)	(\$28,654)	(\$61,846)	(\$57,364)	(\$39,050)	(\$49,403)	(\$80,540)	(\$159,684)	(\$522,626)	49%	(\$168,000)	(\$191,000)
Annual Income	\$52,884	\$71,197	\$102,356	\$119,261	\$107,884	\$161,983	\$210,611	\$240,455	\$1,066,631		\$292,400	\$348,800
Loan Loss		(\$23,084)	(\$7,266)	(\$32,491)	(\$54,326)	(\$96,692)	(\$64,703)	(\$30,006)	(\$308,568)	29%	(\$60,000)	(\$80,000)
Profit before LLP, Tax	\$7,099	\$19,459	\$33,244	\$29,406	\$14,508	\$15,888	\$65,368	\$50,765	\$235,437	22%	\$64,400	\$77,800

FarmWorks has been profitable in the past eight years and two years ago 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 expenses have increased due to the employment in late 2022 of Nadia Gerrits as our Administrative Assistant. With increasing consumer awareness of the benefits of purchasing local food and beverages to support food providers, and with good management by clients and Directors, investments are projected to increase income to a minimum of \$292,400 in 2024.

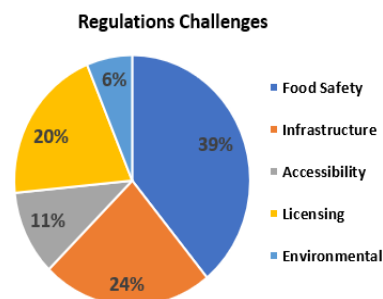
In 2014 the Department of Finance reduced the amount that could be raised by a ‘blind pool’ investment fund CEDIF such as FarmWorks from \$25 million to \$6 million. Shareholder investments over thirteen offers of \$5,683,300 are close to that amount so we are pleased that as of April 8, 2024, the Department of Finance has restored the amount that can be raised to \$25 million. This ensures that FarmWorks will be able to continue supporting food providers for the future.

The Province’s CEDIF program is intended to encourage capital raising by small, community-based issuers run by non-professional managers. The issuance of this blanket order facilitates the operation of the CEDIF program while fulfilling the Commission’s investor protection mandate and applies to CEDIFs that are investment funds as defined in the Securities Act that are not in compliance with Nova Scotia securities laws for investment funds, and to all new offerings of securities by CEDIFs that are investment funds as defined in the Securities Act. Abel Lazarus, Director, Corporate Finance, Nova Scotia Securities Commission

COMMUNITY ECONOMIC DEVELOPMENT INVESTMENT 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.

FarmWorks was successful in receiving from the Clean Foundation 60% of the salary for a 2023 summer student who used a modified version of the survey with all clients including those who have repaid their loans. The results are being analyzed and will enable comparison with the 2020 outcomes briefly described here. Several 2023 outcomes have been assessed and are reported in brackets.

The 2020 Survey was completed by 50 of 72 (2023 by 62 of 94) 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.

In 2020 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.

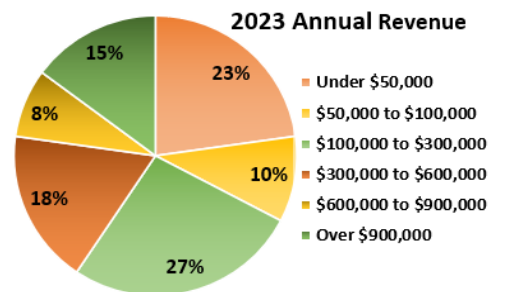
The 50 respondents were generating approximately \$14,250,000 (2023 \$25 M) in annual gross business revenues with annual business expenditures of about \$12,900,000 (2023 \$20 M). Multiplier effects ranging from 1.8 to 2.6 for food-related enterprises indicated that FarmWorks’ clients’ annual monetary 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 the 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 food producers under your umbrella :)”*

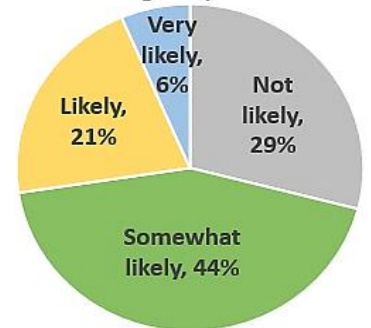
FIELD TO FORK TO FUTURE

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 revitalize Nova Scotia’s agriculture and food sectors. Significantly increasing local production of good food is a crucial response to health, security of food supply, social, economic and environmental challenges. Provision of healthy food for all citizens requires continuing investment in people and into the means of production, distribution, marketing and integration of local supply chains. Interest in



Is net income over the past 12 months sufficient to grow your business?



agriculture is increasing, attracting younger participants, but new entrepreneurs may lack the resources and expertise to achieve sustainable outcomes. FarmWorks collaborates with other organizations and departments to help farmers and other food entrepreneurs find funds and technical, business, and development resources.

FarmWorks investors and clients share a common desire to invest in our communities and reap the multiple benefits of that investment. Local and regional food production helps increase additional 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.

In response to the effects of the COVID-19 pandemic on the food system, the United Nations Food and Agriculture Organization (FAO, 2020) emphasizes that “promoting local food production and short supply chains and a greater degree of self-sufficiency” is a central strategy that can bolster the food system’s ability to weather future crises.

Money spent on food is powerful and helps determine social and economic outcomes - food is the main course for our health, environment and economy.

Linda Best



