

**Ontario Agri-Food Education Inc.**  
**Operating as AgScape**  
**Financial Statements**  
*December 31, 2016*

## Independent Auditors' Report

To the Members of Ontario Agri-Food Education Inc. operating as AgScape:

We have audited the accompanying financial statements of Ontario Agri-Food Education Inc. operating as AgScape, which comprise the statement of financial position as at December 31, 2016, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

### *Basis for Qualified Opinion*

In common with many charitable organizations, Ontario Agri-Food Education Inc. operating as AgScape derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of Ontario Agri-Food Education Inc. operating as AgScape and we are not able to determine whether any adjustments might be necessary to donations revenue, excess (deficiency) of revenue over expenses, assets, and net assets.

### *Qualified Opinion*

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Ontario Agri-Food Education Inc. operating as AgScape as at December 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Waterloo, Ontario

April 27, 2017

**MNP LLP**

Chartered Professional Accountants

Licensed Public Accountants

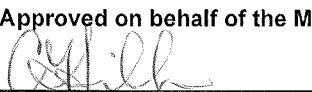
**MNP**

**Ontario Agri-Food Education Inc.**  
**Operating as AgScape**  
**Statement of Financial Position**

*As at December 31, 2016*

	<i>Operating Fund</i>	<i>Healthy Eating Program Fund</i>	<i>Reserve Fund</i>	<b>2016</b>	<b>2015</b>
<b>Assets</b>					
<b>Current</b>					
Cash	68,034	34,887	-	102,921	177,436
Accounts receivable (Note 3)	138,216	-	-	138,216	71,697
Marketable securities (Note 4)	802	922,141	706,392	1,629,335	1,793,351
Prepaid expenses	44,992	-	-	44,992	49,488
Interfund receivable	-	2,463	36	2,499	810
Loan receivable from Operating Fund (Note 5)	-	-	206,680	206,680	-
	<b>252,044</b>	<b>959,491</b>	<b>913,108</b>	<b>2,124,643</b>	<b>2,092,782</b>
<b>Capital assets (Note 6)</b>	<b>5,753</b>	<b>64,858</b>	<b>-</b>	<b>70,611</b>	<b>37,709</b>
	<b>257,797</b>	<b>1,024,349</b>	<b>913,108</b>	<b>2,195,254</b>	<b>2,130,491</b>
<b>Liabilities</b>					
<b>Current</b>					
Bank indebtedness (Note 7)	143,871	-	-	143,871	64,861
Accounts payable and accruals	26,635	2,699	-	29,334	9,614
Deferred Trillium grant	21,408	-	-	21,408	-
Deferred OMAFRA grant	-	-	-	-	100,000
Deferred special project funding	10,000	-	-	10,000	14,500
Deferred membership revenue	13,000	-	-	13,000	21,650
Deferred Business of Food Project revenue	8,575	-	-	8,575	15,721
Interfund payable	36	-	2,463	2,499	810
Loan payable to Reserve Fund (Note 5)	206,680	-	-	206,680	-
	<b>430,205</b>	<b>2,699</b>	<b>2,463</b>	<b>435,367</b>	<b>227,156</b>
<b>Net Assets</b>					
Operating Fund - unrestricted	(172,408)	-	-	(172,408)	47,032
Healthy Eating Program Fund - externally restricted	-	1,021,650	-	1,021,650	1,043,317
Reserve Fund - internally restricted	-	-	910,645	910,645	812,986
	<b>(172,408)</b>	<b>1,021,650</b>	<b>910,645</b>	<b>1,759,887</b>	<b>1,903,335</b>
	<b>257,797</b>	<b>1,024,349</b>	<b>913,108</b>	<b>2,195,254</b>	<b>2,130,491</b>

Approved on behalf of the Members




The accompanying notes are an integral part of these financial statements

**Ontario Agri-Food Education Inc.**  
**Operating as AgScape**  
**Statement of Operations**

*For the year ended December 31, 2016*

	<i>Operating Fund</i>	<i>Healthy Eating Program Fund</i>	<i>Reserve Fund</i>	<b>2016</b>	<b>2015</b>
<b>Revenue</b>					
OMAFRA grant	400,000	-	-	400,000	400,000
Business of food project <i>(Note 11)</i>	109,726	-	-	109,726	60,668
Memberships and donations	90,024	-	200	90,224	104,270
Special project funding	16,292	-	-	16,292	15,000
Sponsorships	76,683	-	-	76,683	37,436
Other revenue and recoveries	9,620	-	-	9,620	7,019
Summer student program	2,875	-	-	2,875	2,875
Summer student experience grant	3,560	-	-	3,560	2,871
Summer student program donation	5,000	-	-	5,000	-
AGM	8,695	-	-	8,695	4,500
Resource sales	233	-	-	233	112
Investment income	5	20,649	28,718	49,372	41,048
Unrealized gain on marketable securities	-	70,000	123,917	193,917	-
<b>Total revenue</b>	<b>722,713</b>	<b>90,649</b>	<b>152,835</b>	<b>966,197</b>	<b>675,799</b>

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

**Ontario Agri-Food Education Inc.**  
**Operating as AgScape**  
**Statement of Operations**

*For the year ended December 31, 2016*

	<i>Operating Fund</i>	<i>Healthy Eating Program Fund</i>	<i>Reserve Fund</i>	<b>2016</b>	<b>2015</b>
<b>Total revenue</b> <i>(Continued from previous page)</i>	<b>722,713</b>	<b>90,649</b>	<b>152,835</b>	<b>966,197</b>	<b>675,799</b>
<b>Expenses</b>					
Salaries, contracts and benefits	533,489	-	-	533,489	548,571
Rent	43,884	-	-	43,884	43,884
Office and general	55,579	84	-	55,663	50,838
Teacher ambassador program	26,563	-	-	26,563	25,327
Program development and training	5,256	-	-	5,256	1,687
Special projects and resource development	54,551	64,577	-	119,128	65,586
National program and events	2,094	-	-	2,094	3,226
Program surveys and reporting	-	-	-	-	338
Professional fees	17,592	-	-	17,592	9,614
Board	2,440	-	-	2,440	5,533
Marketing and communications	39,210	-	-	39,210	15,355
Educational resource marketing	1,635	-	-	1,635	1,503
AGM	12,160	-	-	12,160	5,740
Summer experience program	10,665	-	-	10,665	5,491
Insurance	3,348	-	-	3,348	3,321
Membership and fundraising	2,894	-	-	2,894	3,076
Investment advisor fees	-	5,283	4,320	9,603	8,682
Amortization	2,173	1,658	-	3,831	4,201
Unrealized loss on marketable securities	-	-	-	-	100,972
Business of food project <i>(Note 11)</i>	128,620	-	-	128,620	50,376
Realized loss on marketable securities	-	40,714	50,856	91,570	-
<b>Total expenses</b>	<b>942,153</b>	<b>112,316</b>	<b>55,176</b>	<b>1,109,645</b>	<b>953,321</b>
<b>Excess (deficiency) of revenue over expenses</b>	<b>(219,440)</b>	<b>(21,667)</b>	<b>97,659</b>	<b>(143,448)</b>	<b>(277,522)</b>

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

**Ontario Agri-Food Education Inc.**  
**Operating as AgScape**  
**Statement of Changes in Net Assets**  
*For the year ended December 31, 2016*

	<i>Operating Fund</i>	<i>Healthy Eating Program Fund</i>	<i>Reserve Fund</i>	<i>2016</i>	<i>2015</i>
Net assets, beginning of the year	47,032	1,043,317	812,986	1,903,335	2,180,857
Excess (deficiency) of revenue over expenses	(219,440)	(21,667)	97,659	(143,448)	(277,522)
Net assets, end of year	(172,408)	1,021,650	910,645	1,759,887	1,903,335

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

**Ontario Agri-Food Education Inc.**  
**Operating as AgScape**  
**Statement of Cash Flows**

*For the year ended December 31, 2016*

	<i>Operating Fund</i>	<i>Healthy Eating Program Fund</i>	<i>Reserve Fund</i>	<b>2016</b>	<b>2015</b>
<b>Cash provided by (used for) the following activities</b>					
<b>Operating</b>					
Excess (deficiency) of revenue over expenses	(219,440)	(21,667)	97,659	(143,448)	(277,522)
Amortization	2,173	1,658	-	3,831	4,201
Unrealized (gain) loss on marketable securities	-	(70,000)	(123,917)	(193,917)	100,972
Realized loss on marketable securities	-	40,714	50,856	91,570	-
	(217,267)	(49,295)	24,598	(241,964)	(172,349)
Changes in working capital accounts					
Accounts receivable	(66,555)	-	36	(66,519)	(50,831)
Interfund receivable and payable	(409)	(2,828)	3,237	-	-
Prepaid expenses	4,496	-	-	4,496	(20,202)
Deferred special project funding	(4,500)	-	-	(4,500)	4,500
Deferred membership revenue	(8,650)	-	-	(8,650)	(4,600)
Deferred Business of Food Project revenue	(7,146)	-	-	(7,146)	15,721
Deferred OMAFRA grant	(100,000)	-	-	(100,000)	-
Deferred Trillium grant	21,408	-	-	21,408	-
Accounts payable and accruals	19,723	(3)	-	19,720	(644)
	(358,900)	(52,126)	27,871	(383,155)	(228,405)
<b>Financing</b>					
Loan payable and receivable	206,680	-	(206,680)	-	-
Advances on bank indebtedness	79,010	-	-	79,010	64,861
	285,690	-	(206,680)	79,010	64,861
<b>Investing</b>					
Proceeds on disposal of marketable securities	1,751	694,123	681,847	1,377,721	203,344
Purchases of marketable securities	(1,755)	(612,308)	(507,371)	(1,121,434)	-
Change in accrued interest and investment cash balance	-	5,743	4,333	10,076	-
Purchase of capital assets	-	(36,733)	-	(36,733)	(27,053)
	(4)	50,825	178,809	229,630	176,291
<b>Increase (decrease) in cash resources</b>	(73,214)	(1,301)	-	(74,515)	12,747
<b>Cash resources, beginning of year</b>	141,248	36,188	-	177,436	164,689
<b>Cash resources, end of year</b>	68,034	34,887	-	102,921	177,436

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

**Ontario Agri-Food Education Inc.**  
**Operating as AgScape**  
**Notes to the Financial Statements**  
*For the year ended December 31, 2016*

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**1. Incorporation and nature of operations**

Ontario Agri-Food Education Inc. operating as AgScape (the "Charity") is incorporated without share capital under the laws of the Province of Ontario and is a registered charity under the Income Tax Act of Canada. The Charity has operated since 1992 and works to build awareness and understanding of the agriculture and food industry in Ontario classrooms and for the general public. During the fiscal year, the Charity rebranded itself and is now operating as AgScape.

**2. Significant accounting policies**

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations set out in Part III of the CPA Canada Handbook - Accounting, as issued by the Accounting Standards Board in Canada and include the following significant accounting policies:

***Fund accounting***

The Charity follows the deferral method of accounting for contributions and reports using fund accounting, and maintains three funds: Operating Fund, Healthy Eating Program Fund, and Reserve Fund.

The Operating Fund reports the Charity's program delivery and administrative activities. This Fund reports unrestricted resources and operating grants.

The Healthy Eating Program Fund, formerly described as the "Vitamin Settlement Fund", was established in 2006 to hold funds received by the Charity as part of the settlement of class action lawsuits brought against a number of defendants alleging that they had conspired to fix prices and markets for vitamins in Canada (referred to as the Canadian National Settlement of Vitamins Class Action). The Healthy Eating Program will fund opportunities to promote and supply healthy eating initiatives throughout Ontario.

The Reserve Fund is an internally restricted fund established by the Board of Directors to develop the financial resources necessary to ensure the long-term viability of the Charity through donations, fundraising and investment income.

***Revenue recognition***

The Charity uses the deferral method of accounting for contributions and reports on a fund accounting basis. Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Membership revenue is recognized as revenue in the period for which the membership covers. Membership revenue received prior to year end that relates to subsequent periods is recorded as deferred revenue and then recognized in the subsequent period.

Investment income is recognized as revenue when earned. Investment income includes realized and unrealized gains and losses, dividends and interest income.

***Allocation of expenses***

The Charity engages in training programs, resource development, and project support activities for other organizations. The costs of these programs include the costs of personnel, premises and other expenses that are directly related to the program. The Charity also incurs a number of general office expenses that are common to the administration of the Charity and each of its programs.

Support expenses that are directly related to a project will be allocated in full to that project. This includes the allocation of salary and travel expenses that are related to the specific project.



**Ontario Agri-Food Education Inc.**  
**Operating as AgScape**  
**Notes to the Financial Statements**  
*For the year ended December 31, 2016*

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2. **Significant accounting policies** (Continued from previous page)

**Financial instruments**

The Charity recognizes its financial instruments when the Charity becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value.

At initial recognition, the Charity may irrevocably elect to subsequently measure any financial instrument at fair value. The Charity has not made such an election during the year. Fair value is determined by reference to recent arm's length transactions.

The Charity subsequently measures investments in equity instruments quoted in an active market and all derivative instruments, except those designated in a qualifying hedging relationship or that are linked to, and must be settled by delivery of unquoted equity instruments of another entity, at fair value. Fair value is determined by published price quotations. Investments in equity instruments not quoted in an active market and derivatives that are linked to, and must be settled by delivery of unquoted equity instruments of another entity, are subsequently measured at cost less impairment. With the exception of financial liabilities indexed to a measure of the Charity's performance or value of its equity and those instruments designated at fair value, all other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in operations for the current period. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

**Financial asset impairment**

The Charity assesses impairment of all of its financial assets measured at cost or amortized cost. The Charity groups assets for impairment testing when available information is not sufficient to permit identification of each individually impaired financial asset in the group, there are numerous assets affected by the same factors, or no asset is individually significant. Management considers whether the issuer is having significant financial difficulty or whether there has been a breach in contract, such as a default or delinquency in interest or principal payments in determining whether objective evidence of impairment exists. When there is an indication of impairment, the Charity determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year. If so, the Charity reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets, the amount that could be realized by selling the assets, and the amount expected to be realized by exercising any rights to collateral held against those assets. Any impairment, which is not considered temporary, is included in current year operations.

The Charity reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in operations in the year the reversal occurs.

**Capital assets**

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution if fair value can be reasonably determined.

Amortization is provided using the declining balance method at rates intended to amortize the cost of assets over their estimated useful lives.

	<b>Rate</b>
Computer equipment	30 %
Furniture and fixtures	20 %
Website	20 %

**Ontario Agri-Food Education Inc.**  
**Operating as AgScape**  
**Notes to the Financial Statements**  
*For the year ended December 31, 2016*

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**2. Significant accounting policies** *(Continued from previous page)*

**Measurement uncertainty**

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Amortization is calculated based on the estimated useful lives of capital assets. Accruals are made for expenses that have occurred, but invoices have not been received.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in operations in the periods in which they become known.

**Contributed materials**

Contributions of materials are recognized both as contributions and expenses in the statement of operations when a fair value can be reasonably estimated and when the materials are used in the normal course of the Charity's operations and would otherwise have been purchased.

**3. Accounts receivable**

Included in accounts receivable are the following balances:

	<b>2016</b>	<b>2015</b>
OMAFRA grant receivable	100,000	-
Harmonized sales tax receivable	12,467	13,518
Other receivables	25,749	58,179
	138,216	71,697

**4. Marketable securities**

	<b>2016</b>	<b>2015</b>
<b>Measured at fair value:</b>		
Cash and cash equivalents in broker accounts	3,912	9,092
Shares and mutual funds	1,288,437	1,192,383
Accrued interest	7,207	12,097
Guaranteed investment certificates, with effective interest rates of 2.20% to 2.60% (2015 - 2.06% to 2.60%), maturing June 14, 2017 to June 4, 2019	329,779	579,779
	1,629,335	1,793,351

**5. Loan receivable from Operating Fund and loan payable to Reserve Fund**

During the year, the Board of Directors approved the transfer of funds from the Reserve Fund investment account to the Operating Fund bank account. The amount transferred during the year was \$206,680 (2015 - \$0). The funds were transferred to cover general operating expenses that were incurred during the year by the Operating Fund. The transfer of the funds is within the purpose for the Reserve Fund and is in line with the mandate of the Board of Directors. The loan is expected to be repaid.

**Ontario Agri-Food Education Inc.**  
**Operating as AgScape**  
**Notes to the Financial Statements**  
*For the year ended December 31, 2016*

**6. Capital assets**

	<i>Cost</i>	<i>Accumulated amortization</i>	<i>2016 Net book value</i>	<i>2015 Net book value</i>
Computer equipment	97,153	91,129	6,024	8,606
Furniture and fixtures	24,127	19,129	4,998	2,050
Website	59,589	-	59,589	27,053
	<b>180,869</b>	<b>110,258</b>	<b>70,611</b>	<b>37,709</b>

The website has a carrying value of \$59,589 (2015 - \$27,053). No amortization of this asset has been recorded during the current year because it is currently under development.

**7. Bank indebtedness**

The Charity has an operating line of credit of \$300,000 (2015 - \$100,000) from TD Canada Trust of which \$97,634 (2015 - nil) was utilized at year end. The operating line of credit is due on demand, bears interest at prime plus 1.00% and is secured by a general security agreement with the bank. This limit is available between March 16, 2016 and March 31, 2017. The Charity is currently in negotiations with TD Canada Trust to determine the limit going forward.

The Charity has a second operating line of credit of \$174,000 (2015 - \$174,000) from TD Canada Trust of which \$46,237 (2015 - \$64,861) was utilized at year end. The operating line of credit is due on demand, bears interest at prime plus 1.00% and is secured by a general security agreement.

**8. Commitments**

The Charity currently has operating commitments including a building lease, a photocopier lease and other commitments. The estimated minimum payments are as follows:

2017	65,107
2018	47,001
2019	47,457
2020	47,954
	<b>207,519</b>

**Ontario Agri-Food Education Inc.**  
**Operating as AgScape**  
**Notes to the Financial Statements**  
*For the year ended December 31, 2016*

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**9. Financial instruments**

The Charity, as part of its operations, carries a number of financial instruments. It is management's opinion that the Charity is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

***Interest rate risk***

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an impact on the cash flows associated with financial assets and liabilities, known as cash flow risk, and on the fair value of financial assets or liabilities, known as price risk.

The Charity has investments in marketable securities that are traded on the open market and therefore subject to varying interest rates. The Charity also has a line of credit which is subject to a rate of prime plus 1% that fluctuates based on the prime rate set.

***Liquidity risk***

Liquidity risk is the risk that the Charity will encounter difficulty in meeting obligations associated with financial liabilities and other transactions. The Charity will enter into contracts where they will need to repay various amounts at certain maturity dates. The Charity meets its liquidity requirements by preparing and monitoring detailed annual budgets, anticipating investing and financing activities and holding assets that can be readily converted into cash.

***Other price risk***

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Charity's investments in publicly-traded securities and corporate bonds exposes the Charity to price risk as these investments are subject to price changes in an open market due to a variety of reasons including changes in market rates of interest, general economic indicators and restrictions on credit markets.

**10. Comparative figures**

Certain comparative figures have been reclassified to conform with current year presentation.

**Ontario Agri-Food Education Inc.**  
**Operating as AgScape**  
**Notes to the Financial Statements**  
*For the year ended December 31, 2016*

**11. Business of Food Project - Schedule of Revenue and Expenses**

The Charity entered into an agreement with the Agricultural Adaptation Council to help build Automated e-Training Modules for use by teachers and students. This project is 55% funded by a Growing Forward 2 grant with the remaining funds to be raised internally. This schedule shows the amount of revenue and expenses that were allocated to this project.

	2016	2015
<b>Revenue</b>		
Designated donations	-	1,000
Business of Food eLearning sponsors	48,000	32,000
Growing Forward 2 grant revenue	61,726	27,668
	109,726	60,668
<b>Expenses</b>		
Content development	45,895	6,764
Hosting fees	15,591	7,812
Training	-	9,858
Creative	58,020	20,788
Project management salary	7,600	4,900
Office	4	205
Bank fees	1,391	49
Editing	119	-
	128,620	50,376
	(18,894)	10,292