

ONTARIO AGRI-FOOD EDUCATION INC.
(Operating as AgScape)
Financial Statements
December 31, 2018

ONTARIO AGRI-FOOD EDUCATION INC.

(Operating as AgScope)

Index to Financial Statements

Year Ended December 31, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Members of Ontario Agri-Food Education Inc. (Operating as AgScape)

Qualified Opinion

We have audited the financial statements of Ontario Agri-Food Education Inc. (operating as AgScape), which comprise the statement of financial position as at December 31, 2018, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of AgScape as at December 31, 2018, 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.

Basis for Qualified Opinion

In common with many charitable organizations, AgScape derives revenue from memberships and donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of AgScape. Therefore, we were not able to determine whether any adjustments might be necessary to revenues, deficiency of revenues over expenses, and cash flows from operations for the year ended December 31, 2018, or current assets and net assets as at January 1 and December 31, 2018.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of AgScape in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Other Matter

The financial statements of AgScape for the year ended December 31, 2017 were audited by another auditor who expressed a modified opinion on those statements, for the reason noted above under the *Basis for Qualified Opinion* paragraph, on April 26, 2018.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing AgScape's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate AgScape or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing AgScape's financial reporting process.

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Independent Auditor's Report to the Members of Ontario Agri-Food Education Inc. *(continued)*

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hogg, Shain & Scheck PC

Toronto, Ontario
January 29, 2020

Authorized to practise public accounting by the
Chartered Professional Accountants of Ontario

ONTARIO AGRI-FOOD EDUCATION INC.

(Operating as AgScape)

Statement of Financial Position

As at December 31, 2018

| | 2018 | 2017 |
|--|---------------------|---------------------|
| ASSETS | | |
| CURRENT | | |
| Cash | \$ 50,540 | \$ 56,648 |
| Accounts receivable | 20,336 | 51,331 |
| Prepaid expenses | 28,536 | 27,959 |
| | <u>99,412</u> | 135,938 |
| INVESTMENTS (Note 3) | 1,295,703 | 1,707,985 |
| CAPITAL ASSETS (Note 4) | 54,849 | 73,448 |
| | <u>\$ 1,449,964</u> | <u>\$ 1,917,371</u> |
| LIABILITIES | | |
| CURRENT | | |
| Bank indebtedness (Note 5) | \$ 37,783 | \$ 115,531 |
| Accounts payable and accrued liabilities | 127,097 | 9,605 |
| Deferred revenues (Note 6) | 115,200 | 151,250 |
| | <u>280,080</u> | <u>276,386</u> |
| NET ASSETS | | |
| UNRESTRICTED - OPERATING FUND | (331,686) | (338,485) |
| EXTERNALLY RESTRICTED - HEALTHY EATING PROGRAM FUND | 607,298 | 1,021,647 |
| INTERNALLY RESTRICTED - RESERVE FUND | 894,272 | 957,823 |
| | <u>1,169,884</u> | <u>1,640,985</u> |
| | <u>\$ 1,449,964</u> | <u>\$ 1,917,371</u> |

INTER-FUND LOAN (Note 7)

COMMITMENTS (Note 8)

APPROVED ON BEHALF OF THE BOARD

_____ Director

_____ Director

See the accompanying notes to these financial statements

ONTARIO AGRI-FOOD EDUCATION INC.*(Operating as AgScape)***Statement of Operations****Year Ended December 31, 2018**

| | 2018 | 2017 |
|---|---------------------|---------------------|
| REVENUES | | |
| Ontario Ministry of Agriculture, Food and Rural Affairs grant | \$ 400,000 | \$ 400,000 |
| Memberships and donations | 73,936 | 86,906 |
| Sponsorships | 39,250 | 19,750 |
| Business of Food project | 32,000 | 133,598 |
| National Program | 31,193 | 44,296 |
| Special project funding | 25,000 | 25,680 |
| Summer student program | 3,658 | 2,979 |
| Annual General Meeting | 2,385 | 2,505 |
| Other revenue and recoveries | 377 | 2,660 |
| Rental income | - | 100 |
| | <u>607,799</u> | <u>718,474</u> |
| EXPENSES <i>(Schedule)</i> | | |
| Salaries, contracts and benefits | 571,609 | 446,558 |
| Administration | 106,829 | 116,041 |
| Programs | 95,212 | 272,740 |
| Marketing | 46,641 | 46,743 |
| Governance | 28,799 | 11,303 |
| | <u>849,090</u> | <u>893,385</u> |
| DEFICIENCY OF REVENUES OVER EXPENSES FROM OPERATIONS | <u>(241,291)</u> | <u>(174,911)</u> |
| OTHER EXPENSES (INCOME) | | |
| One-time administrative costs | 118,997 | - |
| Investment loss (income) <i>(Note 9)</i> | 86,213 | (73,804) |
| Amortization of capital assets | 19,505 | 17,795 |
| Loss on disposal of capital assets | 5,095 | - |
| | <u>229,810</u> | <u>(56,009)</u> |
| DEFICIENCY OF REVENUES OVER EXPENSES | <u>\$ (471,101)</u> | <u>\$ (118,902)</u> |

See the accompanying notes to these financial statements

ONTARIO AGRI-FOOD EDUCATION INC.

(Operating as AgScape)

Statement of Changes in Net Assets

Year Ended December 31, 2018

| | Unrestricted - Operating Fund | Externally Restricted - Healthy Eating Program Fund | Internally Restricted - Reserve Fund | 2018 | 2017 |
|---------------------------------------|----------------------------------|--|--|---------------------|--------------|
| NET ASSETS - BEGINNING OF YEAR | \$ (338,485) | \$ 1,021,647 | \$ 957,823 | \$ 1,640,985 | \$ 1,759,887 |
| Deficiency of revenues over expenses | (385,947) | (21,603) | (63,551) | (471,101) | (118,902) |
| Interfund transfer <i>(Note 10)</i> | 392,746 | (392,746) | - | - | - |
| NET ASSETS - END OF YEAR | \$ (331,686) | \$ 607,298 | \$ 894,272 | \$ 1,169,884 | \$ 1,640,985 |

See the accompanying notes to these financial statements

ONTARIO AGRI-FOOD EDUCATION INC.

(Operating as AgScape)

Statement of Cash Flows

Year Ended December 31, 2018

| | 2018 | 2017 |
|--|------------------|------------------|
| OPERATING ACTIVITIES | | |
| Deficiency of revenues over expenses | \$ (471,101) | \$ (118,902) |
| Items not affecting cash: | | |
| Amortization of capital assets | 19,505 | 17,795 |
| Loss on disposal of capital assets | 5,095 | - |
| Unrealized loss (gain) on investments | 102,011 | (21,254) |
| | <u>(344,490)</u> | <u>(122,361)</u> |
| Changes in non-cash working capital: | | |
| Accounts receivable | 30,995 | 86,885 |
| Accounts payable and accrued liabilities | 117,492 | (19,728) |
| Prepaid expenses | (577) | 17,033 |
| Deferred revenues | (36,050) | 98,267 |
| | <u>111,860</u> | <u>182,457</u> |
| Cash flows from (used by) operating activities | <u>(232,630)</u> | <u>60,096</u> |
| INVESTING ACTIVITIES | | |
| Change in investments (net) | 310,271 | (17,946) |
| Purchase of capital assets | (6,001) | (20,632) |
| Cash flows from (used by) investing activities | <u>304,270</u> | <u>(38,578)</u> |
| FINANCING ACTIVITY | | |
| Repayment of bank indebtedness and cash flows used by financing activity | (77,748) | (28,340) |
| DECREASE IN CASH | (6,108) | (6,822) |
| CASH - BEGINNING OF YEAR | 56,648 | 63,470 |
| CASH - END OF YEAR | \$ 50,540 | \$ 56,648 |

See the accompanying notes to these financial statements

ONTARIO AGRI-FOOD EDUCATION INC.

(Operating as AgScape)

Notes to Financial Statements

Year Ended December 31, 2018

1. NATURE OF THE ORGANIZATION

Ontario Agri-Food Education Inc. (operating as AgScape) was incorporated on February 17, 1992 as a corporation without share capital. AgScape has been designated by the Ontario Ministry of Agriculture, Food and Rural Affairs as an incorporated organization within the meaning of the Agricultural and Horticultural Organizations Act, R.S.O. 1990, Chapter A.9. As a registered charity, AgScape is exempt from the payment of income tax under Section 149(1) of the Income Tax Act.

AgScape works to build awareness and understanding of the agriculture and food industry in Ontario classrooms and for the general public.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are the representation of management and have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook and include the following significant accounting policies.

Fund accounting

AgScape reports its activities using fund accounting, and maintains three funds: Operating Fund, Healthy Eating Program Fund (externally restricted), and Reserve Fund (internally restricted).

The Operating Fund reports AgScape's program delivery and administrative activities, as well as 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 AgScape 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 Vitamin Class Action). The Healthy Eating Program funds opportunities to promote and supply healthy eating initiatives throughout Ontario, consistent with the mission of AgScape.

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 AgScape through donations, fundraising, and investment income.

Revenue recognition

AgScape uses the restricted fund method of accounting for restricted contributions. Restricted contributions for the Healthy Eating Program Fund are recorded in the year received. Restricted contributions for which no specific fund was established are recognized as revenue of the Operating Fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the Operating Fund 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 revenues 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.

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ONTARIO AGRI-FOOD EDUCATION INC.

(Operating as AgScape)

Notes to Financial Statements

Year Ended December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Contributed goods and services

Donated goods are recorded when a fair value can be reasonably estimated and when they would otherwise have been purchased if not donated.

A substantial part of AgScape's activities are carried out by volunteers whose services are donated. These services are not normally purchased by AgScape and, as such, donated services are not recorded in these financial statements.

Allocation of expenses

AgScape engages in training and education programs, and resource development programs. The costs of these programs include the costs of personnel, premises, and other expenses that are directly related to the programs, as well as general administrative support costs.

Direct costs are allocated in full to their programs, and general administrative support costs are allocated to the programs based on an estimate of the percentage of personnel time spent on each program. The Schedule of Operating Expenses presents the costs incurred by program.

Capital assets

Capital assets are stated at cost or deemed cost less accumulated amortization. Capital assets are amortized over their estimated useful lives on a straight-line basis at the following rates:

| | |
|------------------------|----------|
| Website | 5 years |
| Computer equipment | 3 years |
| Furniture and fixtures | 10 years |

AgScape regularly reviews its capital assets to eliminate obsolete items.

During the fiscal year, AgScape changed its amortization policy from the declining balance method to the straight-line method; a change that had minimal impact on the financial statements.

Financial instruments

AgScape's financial instruments comprise cash, accounts receivable, investments, bank indebtedness, and accounts payable.

Financial instruments are initially measured at fair value, and subsequently, measured at amortized cost, except investments which are measured at fair value.

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 at the date of the financial statements and the reported amounts of revenues and expenses during the year. These estimates are reviewed periodically and adjustments are made to revenues and expenses as appropriate in the year they become known. Actual results could differ from these estimates.

ONTARIO AGRI-FOOD EDUCATION INC.

(Operating as AgScape)

Notes to Financial Statements

Year Ended December 31, 2018

3. INVESTMENTS

| | <u>2018</u> | <u>2017</u> |
|--|---------------------|---------------------|
| Operating Fund: | | |
| Equities | \$ 803 | \$ 808 |
| Cash and cash equivalents | 10 | - |
| | <u>813</u> | <u>808</u> |
| Externally Restricted - Healthy Eating Program Fund: | | |
| Equities | 379,137 | 419,364 |
| Mutual funds | 145,070 | 189,712 |
| Guaranteed Investment Certificate | 67,482 | 106,298 |
| Cash and cash equivalents | 15,609 | 238,195 |
| | <u>607,298</u> | <u>953,569</u> |
| Internally Restricted - Reserve Fund: | | |
| Equities | 671,852 | 530,609 |
| Cash and cash equivalents | 15,740 | 146,779 |
| Mutual funds | - | 76,220 |
| | <u>687,592</u> | <u>753,608</u> |
| | <u>\$ 1,295,703</u> | <u>\$ 1,707,985</u> |

The Guaranteed Investment Certificate at December 31, 2018 earns interest at 2.6% and matures on June 4, 2019.

4. CAPITAL ASSETS

| | Cost | Accumulated amortization | 2018 Net book value | 2017 Net book value |
|------------------------|-------------------|-----------------------------|---------------------------|---------------------------|
| Website | \$ 78,055 | \$ 29,921 | \$ 48,134 | \$ 64,291 |
| Computer equipment | 6,884 | 3,108 | 3,776 | 5,158 |
| Furniture and fixtures | 24,127 | 21,188 | 2,939 | 3,999 |
| | <u>\$ 109,066</u> | <u>\$ 54,217</u> | <u>\$ 54,849</u> | <u>\$ 73,448</u> |

5. BANK INDEBTEDNESS

AgScape has an operating line of credit of \$100,000 (2017 - \$300,000) from TD Canada Trust of which \$Nil (2017 - \$32,281) was utilized by year end. The operating line of credit is due on demand, bears interest at prime plus 1% and is secured by a general security agreement.

AgScape has a second operating line of credit of \$174,000 (2017 - \$174,000) from TD Canada Trust of which \$37,783 (2017 - \$83,250) was utilized at year end. The operating line of credit is due on demand, bears interest at prime plus 1%, and is secured by a general security agreement.

ONTARIO AGRI-FOOD EDUCATION INC.

(Operating as AgScape)

Notes to Financial Statements

Year Ended December 31, 2018

6. DEFERRED REVENUES

| | <u>2018</u> | <u>2017</u> |
|---|-------------------|-------------------|
| Ontario Ministry of Agriculture, Food and Rural Affairs grant | \$ 100,000 | \$ 100,000 |
| Memberships | 15,200 | 29,250 |
| Special project funding | - | 22,000 |
| | <u>\$ 115,200</u> | <u>\$ 151,250</u> |

7. INTER-FUND LOAN

During 2016, the Board of Directors approved the transfer of funds from the Reserve Fund investment account to the Operating Fund bank account. The amount transferred in 2016 was \$206,680. 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.

8. COMMITMENTS

AgScape currently has an operating lease commitment for office rent until December 31, 2020. The estimated minimum lease payments are as follows:

Minimum payments are:

| | |
|------|------------------|
| 2019 | \$ 47,457 |
| 2020 | 47,954 |
| | <u>\$ 95,411</u> |

9. INVESTMENT LOSS (INCOME)

| | <u>2018</u> | <u>2017</u> |
|--|------------------|--------------------|
| Dividend income | \$ (45,236) | \$ (51,120) |
| Interest income | (1,002) | (6,243) |
| Realized gains (losses) on sale of investments | 16,698 | (9,399) |
| Unrealized gains (losses) | 102,011 | (21,254) |
| Investment advisor fees | 13,742 | 14,212 |
| | <u>\$ 86,213</u> | <u>\$ (73,804)</u> |

10. INTER-FUND TRANSFER

For fiscal 2018, the Board approved a transfer of \$392,746 from the Healthy Eating Project Fund to the Operating Fund for the delivery of programs.

ONTARIO AGRIFOOD EDUCATION INC.

(Operating as AgScape)

Notes to Financial Statements

Year Ended December 31, 2018

11. FINANCIAL INSTRUMENTS

AgScape is exposed to various risks arising from its financial instruments. The following provides information about AgScape's risk exposure and concentration as of December 31, 2018, which is consistent with the prior year.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities. AgScape is exposed to this risk mainly in respect of its bank indebtedness.

Market risk

Market risk is comprised of interest rate, currency, and other price risks.

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. AgScape is exposed to interest rate risk with respect to its fixed-income investments and bank indebtedness.

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 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. AgScape is exposed to other price risk with respect to its investments in publicly-traded instruments as such investments are subject to price changes in the open market. AgScape uses professional, independent advisors to monitor its investment portfolio and provide low-risk investment solutions.

It is management's opinion that AgScape is not exposed to significant credit or currency risks arising from its financial instruments.

12. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

ONTARIO AGRI-FOOD EDUCATION INC.

(Operating as AgScape)

Schedule of Operating Expenses

Year Ended December 31, 2018

| | Teacher Ambassador Program | Resources | Student Engagement | Teacher Engagement | Board Governance | Organizational Development | Total 2018 |
|---|----------------------------------|-------------------|-----------------------|-----------------------|---------------------|-------------------------------|-----------------------|
| Salaries, contracts and benefits | \$ 219,681 | \$ 79,441 | \$ 83,368 | \$ 78,214 | \$ 34,628 | \$ 76,277 | \$ 571,609 |
| Administration | 40,714 | 14,723 | 15,451 | 14,496 | 6,418 | 14,137 | 105,939 |
| Stewardship, marketing and media | 17,925 | 6,482 | 6,802 | 6,382 | 2,826 | 6,224 | 46,641 |
| Program delivery | 6,683 | 12,925 | 1,970 | 3,472 | - | - | 25,050 |
| Program promotion marketing | 13,336 | 1,469 | 1,542 | 2,457 | 640 | 1,911 | 21,355 |
| Governance | - | - | - | - | 19,321 | - | 19,321 |
| Business of Food training | 16,055 | - | - | - | - | - | 16,055 |
| National projects | 3,830 | - | 6,276 | - | - | 4,206 | 14,312 |
| Annual General Meeting and member meetings | - | - | - | - | 9,478 | - | 9,478 |
| Program travel | 3,844 | - | 948 | 732 | - | - | 5,524 |
| Other travel | - | - | - | - | - | 5,230 | 5,230 |
| Resource development | 1,066 | 2,470 | 886 | 10 | - | - | 4,432 |
| Resource distribution | 282 | 713 | - | 640 | - | - | 1,635 |
| Organizational development | - | - | - | - | - | 1,619 | 1,619 |
| Postage | - | - | - | - | - | 890 | 890 |
| | \$ 323,416 | \$ 118,223 | \$ 117,243 | \$ 106,403 | \$ 73,311 | \$ 110,494 | \$ 849,090 |

See the accompanying notes to these financial statements