

ONTARIO AGRI-FOOD EDUCATION INC.
(Operating as AgScape)
Financial Statements
December 31, 2020

ONTARIO AGRI-FOOD EDUCATION INC.

(Operating as AgScope)

Index to Financial Statements

Year Ended December 31, 2020

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Operations	4
Statement of Changes in Net Assets	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 11

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, 2020, 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, 2020, 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 revenues 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, excess of revenues over expenses, and cash flows from operations for the year ended December 31, 2020, or current assets and net assets as at December 31, 2020 and January 1, 2020.

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.

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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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
March 17, 2021

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, 2020

	2020	2019
ASSETS		
CURRENT		
Cash	\$ 7,755	\$ 28,312
Accounts receivable	160,739	149,776
Prepaid expenses	19,179	23,371
	<u>187,673</u>	<u>201,459</u>
INVESTMENTS <i>(Note 3)</i>	1,356,510	1,252,840
CAPITAL ASSETS <i>(Note 4)</i>	19,959	38,310
	<u>\$ 1,564,142</u>	<u>\$ 1,492,609</u>
LIABILITIES		
CURRENT		
Bank indebtedness <i>(Note 5)</i>	\$ 117,120	\$ 53,224
Accounts payable and accrued liabilities	31,007	16,578
Deferred revenues <i>(Note 6)</i>	59,510	102,241
	<u>207,637</u>	<u>172,043</u>
NET ASSETS		
UNRESTRICTED - OPERATING FUND	810	68,544
EXTERNALLY RESTRICTED - HEALTHY EATING PROGRAM FUND	509,513	430,560
INTERNALLY RESTRICTED - RESERVE FUND	846,182	821,462
	<u>1,356,505</u>	<u>1,320,566</u>
	<u>\$ 1,564,142</u>	<u>\$ 1,492,609</u>

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, 2020**

	2020	2019
REVENUES		
Ontario Ministry of Agriculture, Food and Rural Affairs grant	\$ 196,811	\$ 419,912
Agriculture in the Classroom Canada programs	185,863	182,383
Donations	87,250	74,250
Government assistance	74,542	-
Memberships	71,750	79,550
Dividend and interest income <i>(Note 8)</i>	44,176	59,785
Other grants	23,784	11,926
Annual General Meeting	21,860	29,140
Fees for service	15,935	16,816
	<u>721,971</u>	<u>873,762</u>
EXPENSES <i>(Note 9)</i>		
Resources & Student Engagement	232,425	238,222
Teacher Ambassador Program	217,507	249,328
Business of Food e-learning	167,623	186,420
Fundraising and administration	129,009	185,081
	<u>746,564</u>	<u>859,051</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES FROM OPERATIONS	<u>(24,593)</u>	<u>14,711</u>
OTHER INCOME (EXPENSES)		
Other investment income <i>(Note 8)</i>	90,547	197,833
Restructuring costs	(8,496)	(43,053)
Amortization of capital assets	(21,519)	(18,809)
	<u>60,532</u>	<u>135,971</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 35,939</u>	<u>\$ 150,682</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, 2020

	Unrestricted - Operating Fund	Externally Restricted - Healthy Eating Program Fund	Internally Restricted - Reserve Fund	2020	2019
NET ASSETS - BEGINNING OF YEAR	\$ 68,544	\$ 430,560	\$ 821,462	\$ 1,320,566	\$ 1,169,884
Excess (deficiency) of revenues over expenses	(92,734)	103,953	24,720	35,939	150,682
Inter-fund transfers (<i>Note 7</i>)	25,000	(25,000)	-	-	-
NET ASSETS - END OF YEAR	\$ 810	\$ 509,513	\$ 846,182	\$ 1,356,505	\$ 1,320,566

See the accompanying notes to these financial statements

ONTARIO AGRI-FOOD EDUCATION INC.*(Operating as AgScape)***Statement of Cash Flows****Year Ended December 31, 2020**

	2020	2019
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 35,939	\$ 150,682
Items not affecting cash:		
Amortization of capital assets	21,519	18,809
Unrealized gains on investments	(54,183)	(138,633)
	<u>3,275</u>	<u>30,858</u>
Changes in non-cash working capital:		
Accounts receivable	(10,963)	(129,440)
Prepaid expenses	4,192	5,165
Accounts payable and accrued liabilities	14,429	(110,519)
Deferred revenues	(42,731)	(12,959)
	<u>(35,073)</u>	<u>(247,753)</u>
Cash flows used by operating activities	<u>(31,798)</u>	<u>(216,895)</u>
INVESTING ACTIVITIES		
Change in investments (net)	(49,487)	181,496
Purchase of capital assets	(3,168)	(2,270)
Cash flows from (used by) investing activities	<u>(52,655)</u>	<u>179,226</u>
FINANCING ACTIVITY		
Change in bank indebtedness (net) and cash flows from financing activity	<u>63,896</u>	<u>15,441</u>
NET DECREASE IN CASH	(20,557)	(22,228)
CASH - BEGINNING OF YEAR	<u>28,312</u>	<u>50,540</u>
CASH - END OF YEAR	<u>\$ 7,755</u>	<u>\$ 28,312</u>

See the accompanying notes to these financial statements

ONTARIO AGRI-FOOD EDUCATION INC.

(Operating as AgScape)

Notes to Financial Statements

Year Ended December 31, 2020

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.

Impact of COVID-19

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which resulted in a series of public health and emergency measures that were put in place to combat the spread of the virus. As a result, AgScape closed its office and all employees began working from home, and all programs were delivered online for the remainder of the year.

AgScape received COVID-19 specific-support from the government. As part of the response to COVID-19, the federal government introduced the Canada Emergency Wage Subsidy ("CEWS") and 10% Temporary Wage Subsidy for employers ("TWS") to assist employers whose activities have been affected by COVID-19. For the period of March 15 to December 31, 2020, AgScape applied for funding of \$74,542, of which \$30,161 was received subsequent to year-end. AgScape intends to apply for the CEWS for all subsequent periods for which it is eligible.

The duration and impact of COVID-19 are unknown at this time. It is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of AgScape in future periods. AgScape continues to closely monitor and assess the impact on operations, including when it would be permitted to resume in-person programs. It is the opinion of management that AgScape will have sufficient resources to mitigate any potential negative impact that may occur in fiscal 2021 as a result of COVID-19.

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 ("ASNPO") in Part III of the CPA Canada Handbook.

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.

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ONTARIO AGRI-FOOD EDUCATION INC.

(Operating as AgScape)

Notes to Financial Statements

Year Ended December 31, 2020

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

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.

Fees for service revenue is recognized upon delivery of the services.

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.

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.

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ONTARIO AGRI-FOOD EDUCATION INC.

(Operating as AgScape)

Notes to Financial Statements

Year Ended December 31, 2020

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

Financial instruments

AgScape's financial instruments are comprised of 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 ASNPO 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. Such estimates are periodically reviewed and adjustments are made as appropriate in the year they become known. Actual results may differ from these estimates.

3. INVESTMENTS

	2020	2019
Operating Fund:		
Mutual funds	\$ 815	\$ 817
Cash and cash equivalents	-	1
	815	818
Externally Restricted - Healthy Eating Program Fund:		
Equities	442,097	414,603
Cash and cash equivalents	67,416	15,957
	509,513	430,560
Internally Restricted - Reserve Fund:		
Equities	692,987	780,979
Cash and cash equivalents	153,195	40,483
	846,182	821,462
	\$ 1,356,510	\$ 1,252,840

4. CAPITAL ASSETS

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Website	\$ 78,055	\$ 61,143	\$ 16,912	\$ 32,523
Computer equipment	11,503	8,456	3,047	3,268
Furniture and fixtures	24,127	24,127	-	2,519
Computer software	820	820	-	-
	\$ 114,505	\$ 94,546	\$ 19,959	\$ 38,310

ONTARIO AGRI-FOOD EDUCATION INC.

(Operating as AgScape)

Notes to Financial Statements

Year Ended December 31, 2020

5. BANK INDEBTEDNESS

AgScape has a bank operating line of credit of \$100,000 (2019 - \$100,000) of which \$61,450 was utilized by year end, and a second bank operating line of credit of \$60,000 (2019 - \$60,000) of which \$55,670 (2019 - \$53,224) was utilized at year end.

The withdrawn balances are due on demand, bear interest at prime plus 1%, and are secured by a General Security Agreement.

6. DEFERRED REVENUES

	2020	2019
Support for resource development projects	\$ 45,000	\$ -
Agriculture in the Classroom Canada program	7,800	87,991
Memberships	4,550	14,250
Business of Food program fees	1,160	-
Sponsorships	1,000	-
	<u>\$ 59,510</u>	<u>\$ 102,241</u>

7. INTER-FUND TRANSFERS

In 2020, the Board approved a transfer of \$25,000 (2019 - \$300,000) from the Healthy Eating Project Fund to manage operating cash flows.

8. INVESTMENT INCOME

	2020	2019
Dividend income	\$ 44,043	\$ 51,540
Interest income	133	8,245
Total dividend and interest income	<u>44,176</u>	<u>59,785</u>
Unrealized gains	54,183	138,633
Realized gains on sale of investments	47,859	70,884
Investment advisor fees	<u>(11,495)</u>	<u>(11,684)</u>
Total other investment income	<u>90,547</u>	<u>197,833</u>
	<u>\$ 134,723</u>	<u>\$ 257,618</u>

ONTARIO AGRI-FOOD EDUCATION INC.

(Operating as AgScape)

Notes to Financial Statements

Year Ended December 31, 2020

9. ALLOCATION OF EXPENSES

Expenses related specifically to delivering programs have been allocated. These expenses include staffing required to deliver programs and a portion of operating and administrative costs (including premises and other office expenses) incurred by program activities.

	2020		2019	
	Salaries, contracts, and benefits	Administration	Salaries, contracts, and benefits	Administration
Resources & Student Engagement	\$ 191,786	\$ 33,914	\$ 175,029	\$ 32,805
Teacher Ambassador Program	157,942	27,929	175,029	32,805
Business of Food e-learning	112,816	19,949	116,686	21,870
Fundraising and administration	101,534	17,955	116,686	21,870
	\$ 564,078	\$ 99,747	\$ 583,430	\$ 109,350

10. FINANCIAL RISKS

AgScape is exposed to various risks arising from its financial instruments, as follows:

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 and accounts payable. AgScape has access to sufficient liquid resources to pay its liabilities as they come due.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in market interest rates. AgScape is exposed to interest rate risk with respect to its 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 equities. 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.
