

ONTARIO AGRI-FOOD EDUCATION INC.

(Operating as AgScape)

Financial Statements

December 31, 2021

ONTARIO AGRI-FOOD EDUCATION INC.

(Operating as AgScope)

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Year Ended December 31, 2021

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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, 2021, 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, 2021, and the results of its operations and 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 membership and donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of AgScape and 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, 2021 and 2020, and current assets as at December 31, 2021 and 2020, and net assets as at January 1 and December 31 for both the 2021 and 2020 years. The audit opinion on the financial statements for the year ended December 31, 2020 was modified accordingly because of the possible effects of this limitation in scope.

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 these 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 related 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 this financial information.

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 AgScape'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 AgScape'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 AgScape 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 30, 2022

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, 2021

	2021	2020
ASSETS		
CURRENT		
Cash	\$ 47,347	\$ 7,755
Accounts receivable (Note 9)	122,081	160,739
Prepaid expenses	2,747	19,179
	<u>172,175</u>	187,673
INVESTMENTS (Note 3)	1,484,640	1,356,510
CAPITAL ASSETS (Note 4)	1,056	19,959
	<u>\$ 1,657,871</u>	\$ 1,564,142
LIABILITIES		
CURRENT		
Bank indebtedness (Note 5)	\$ -	\$ 117,120
Accounts payable and accrued liabilities	25,459	31,007
Deferred revenues (Note 6)	66,750	59,510
	<u>92,209</u>	207,637
CANADA EMERGENCY BUSINESS ACCOUNT LOAN (Note 7)	60,000	-
	<u>152,209</u>	207,637
NET ASSETS		
UNRESTRICTED - OPERATING FUND	21,835	810
EXTERNALLY RESTRICTED - HEALTHY EATING PROGRAM FUND	486,040	509,513
INTERNALLY RESTRICTED - RESERVE FUND	997,787	846,182
	<u>1,505,662</u>	1,356,505
	<u>\$ 1,657,871</u>	\$ 1,564,142

APPROVED ON BEHALF OF THE BOARD

Jennifer Peart Director

Kathryn Roan Director

See the accompanying notes to these financial statements

ONTARIO AGRICULTURE EDUCATION INC.*(Operating as AgScope)***Statement of Operations****Year Ended December 31, 2021**

	2021	2020
REVENUES		
Ontario Ministry of Agriculture, Food and Rural Affairs grant	\$ 394,381	\$ 196,811
Donations	72,880	87,250
Memberships	75,900	71,750
Resource development	74,600	15,935
Government assistance <i>(Note 9)</i>	69,146	74,542
Dividend and interest income <i>(Note 10)</i>	41,869	44,176
Annual General Meeting	28,000	21,860
Other grants	23,169	23,784
Agriculture in the Classroom Canada programs	17,650	185,863
	<u>797,595</u>	<u>721,971</u>
EXPENSES <i>(Note 11)</i>		
Resources & Student Engagement	296,520	232,425
Teacher Ambassador Program	259,194	217,507
Fundraising and administration	94,762	129,009
Business of Food e-learning	90,845	167,623
	<u>741,321</u>	<u>746,564</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES FROM OPERATIONS	<u>56,274</u>	<u>(24,593)</u>
OTHER INCOME (EXPENSES)		
Other investment income <i>(Note 10)</i>	111,786	90,547
Amortization of capital assets	(18,903)	(21,519)
Restructuring costs	-	(8,496)
	<u>92,883</u>	<u>60,532</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 149,157</u>	<u>\$ 35,939</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, 2021

	Unrestricted - Operating Fund	Externally Restricted - Healthy Eating Program Fund	Internally Restricted - Reserve Fund	2021	2020
NET ASSETS - BEGINNING OF YEAR	\$ 810	\$ 509,513	\$ 846,182	\$ 1,356,505	\$ 1,320,566
Excess (deficiency) of revenues over expenses	(3,975)	1,527	151,605	149,157	35,939
Interfund transfer <i>(Note 8)</i>	25,000	(25,000)	-	-	-
NET ASSETS - END OF YEAR	\$ 21,835	\$ 486,040	\$ 997,787	\$ 1,505,662	\$ 1,356,505

See the accompanying notes to these financial statements

ONTARIO AGRI-FOOD EDUCATION INC.

(Operating as AgScape)

Statement of Cash Flows

Year Ended December 31, 2021

	2021	2020
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 149,157	\$ 35,939
Items not affecting cash:		
Amortization of capital assets	18,903	21,519
Unrealized gains on investments	<u>(42,812)</u>	<u>(54,183)</u>
	<u>125,248</u>	<u>3,275</u>
Changes in non-cash working capital:		
Accounts receivable	38,658	(10,963)
Prepaid expenses	16,432	4,192
Accounts payable and accrued liabilities	(5,548)	14,429
Deferred revenues	<u>7,240</u>	<u>(42,731)</u>
	<u>56,782</u>	<u>(35,073)</u>
Cash flows from (used by) operating activities	<u>182,030</u>	<u>(31,798)</u>
INVESTING ACTIVITIES		
Change in investments (net)	(85,318)	(49,487)
Purchase of capital assets	<u>-</u>	<u>(3,168)</u>
Cash flows used by investing activities	<u>(85,318)</u>	<u>(52,655)</u>
FINANCING ACTIVITIES		
Proceeds from Canada Emergency Business Account loan	60,000	-
Change in bank indebtedness (net)	<u>(117,120)</u>	<u>63,896</u>
Cash flows from (used by) financing activities	<u>(57,120)</u>	<u>63,896</u>
INCREASE (DECREASE) IN CASH	39,592	(20,557)
CASH - BEGINNING OF YEAR	<u>7,755</u>	<u>28,312</u>
CASH - END OF YEAR	<u>\$ 47,347</u>	<u>\$ 7,755</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, 2021

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 subsection 149(1) of the Income Tax Act (Canada).

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

Basis of presentation

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, 2021

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

Revenue recognition

AgScape uses the restricted fund method of accounting for restricted contributions. Restricted contributions, including grants 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 when completed.

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

Resource development revenue is recognized upon completion of the project. Resource development revenue for projects not completed by year end are setup as deferred revenues and recognized in the subsequent period.

Government assistance revenues, including the Canada Emergency Wage Subsidy in response to COVID-19, are recognized on an accrual basis in the year the eligible expenses are incurred, and eligibility is met.

Financial instruments

AgScape initially measures its financial assets and liabilities at fair value.

AgScape subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments which are measured at fair value.

Financial assets measured at amortized cost include cash, and accounts receivable. Financial liabilities measured at amortized cost include bank indebtedness, and accounts payable.

Impairment of financial instruments

Financial assets measured at cost or amortized cost are tested for impairment, if there are indications of possible impairment. A previously recognized impairment loss may be reversed to the extent of the improvement, either directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal, had the impairment loss not been recognized previously. The amount of any write down or reversal is recognized in excess (deficiency) of revenues over expenses.

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:

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

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ONTARIO AGRI-FOOD EDUCATION INC.

(Operating as AgScape)

Notes to Financial Statements

Year Ended December 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of long-lived assets

Long-lived assets including capital assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The impairment loss is measured as the amount by which the carrying amount of the capital asset exceeds its fair value. Fair value is determined by the sum of undiscounted cash flows resulting from its use and eventual disposition.

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.

Use of estimates

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. Such estimates include determining the collectability of accounts receivable, useful life of capital assets in calculating amortization, eligibility for government assistance subsidies and allocation of expenses to programs based on time. Actual results may differ from these estimates.

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.

3. INVESTMENTS

	<u>2021</u>	<u>2020</u>
Operating Fund:		
Mutual funds	\$ 813	\$ 815
	<u>813</u>	<u>815</u>
Externally Restricted - Healthy Eating Program Fund:		
Equities	432,390	442,097
Cash and cash equivalents	53,650	67,416
	<u>486,040</u>	<u>509,513</u>
Internally Restricted - Reserve Fund:		
Equities	668,303	692,987
Cash and cash equivalents	329,484	153,195
	<u>997,787</u>	<u>846,182</u>
	<u>\$ 1,484,640</u>	<u>\$ 1,356,510</u>

ONTARIO AGRI-FOOD EDUCATION INC.

(Operating as AgScape)

Notes to Financial Statements

Year Ended December 31, 2021

4. CAPITAL ASSETS

	Cost	Accumulated amortization	2021 Net book value	2020 Net book value
Computer equipment	\$ 11,503	\$ 10,447	\$ 1,056	\$ 3,047
Website	78,055	78,055	-	16,912
Furniture and fixtures	24,127	24,127	-	-
Computer software	820	820	-	-
	\$ 114,505	\$ 113,449	\$ 1,056	\$ 19,959

5. BANK INDEBTEDNESS

AgScape has a bank operating line of credit of \$100,000 (2020 - \$100,000) of which \$nil (2020 - \$61,450) was utilized by year end, and a second bank operating line of credit of \$60,000 (2020 - \$60,000) of which \$nil (2020 - \$55,670) 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

Deferred revenues at December 31 comprise the following:

	2021	2020
Agriculture in the Classroom Canada program	\$ 27,000	\$ 7,800
Support for resource development projects	22,500	45,000
Memberships	17,250	4,550
Business of Food program fees	-	1,160
Sponsorships	-	1,000
	\$ 66,750	\$ 59,510

The continuity of deferred revenues is as follows:

Balance, beginning of year	\$ 59,510	\$ 102,241
Add: amounts received during the year	166,430	344,863
Less: amounts recorded as revenues during the year	(159,190)	(387,594)
Balance, end of year	\$ 66,750	\$ 59,510

ONTARIO AGRI-FOOD EDUCATION INC.

(Operating as AgScape)

Notes to Financial Statements

Year Ended December 31, 2021

7. CANADA EMERGENCY BUSINESS ACCOUNT LOAN

AgScape obtained the Canada Emergency Business Account ("CEBA") loan of \$60,000 in response to the COVID-19 pandemic (see Note 9). The CEBA loan is non-interest bearing up to the initial term date of December 31, 2023. From the period commencing December 31, 2023 to the extended term date of December 31, 2025, the loan bears an annual interest rate of 5%.

Based on the CEBA Term Loan Agreement, if \$40,000 is repaid by December 31, 2023, the remaining balance of \$20,000 will be forgiven.

8. INTER-FUND TRANSFERS

In 2021, the Board approved a transfer of \$25,000 (2020 - \$25,000) from the Healthy Eating Project Fund to manage operating cash flows.

9. GOVERNMENT ASSISTANCE

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 have been put in place to combat the spread of the virus. As a result, AgScape's office remained closed for the fiscal year with all employees continuing to work from home. All programs continued to be delivered online.

The duration and impact of COVID-19 is 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 conditions of AgScape in future years. AgScape continues to closely monitor and assess the impact on operations. It is the opinion of management that AgScape will have sufficient resources to mitigate any potential negative impact that may occur in fiscal 2022 as a result of COVID-19.

As part of the response to COVID-19, the federal government introduced the Canada Emergency Wage Subsidy ("CEWS") to assist employers whose activities have been affected by COVID-19. For the period of January 1, 2021 to December 31, 2021, AgScape applied for and received \$69,146 of which \$5,568 is included in accounts receivable at December 31, 2021.

10. INVESTMENT INCOME

	2021	2020
Dividend income	\$ 41,702	\$ 44,043
Interest income	167	133
Total dividend and interest income	<u>41,869</u>	<u>44,176</u>
Unrealized gains	42,812	54,183
Realized gains on sale of investments	78,848	47,859
Investment advisor fees	<u>(9,874)</u>	<u>(11,495)</u>
Total other investment income	<u>111,786</u>	<u>90,547</u>
	<u>\$ 153,655</u>	<u>\$ 134,723</u>

ONTARIO AGRI-FOOD EDUCATION INC.

(Operating as AgScape)

Notes to Financial Statements

Year Ended December 31, 2021

11. 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.

	2021		2020	
	Salaries, contracts, and benefits	Administration	Salaries, contracts, and benefits	Administration
Resources & Student Engagement	\$ 227,530	\$ 23,996	\$ 191,786	\$ 33,914
Teacher Ambassador Program	177,585	18,728	157,942	27,929
Fundraising and administration	83,243	8,779	101,534	17,955
Business of Food e-learning	66,594	7,023	112,816	19,949
	\$ 554,952	\$ 58,526	\$ 564,078	\$ 99,747

12. FINANCIAL RISKS

AgScape is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about AgScape's risk exposure and concentration as of December 31, 2021.

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.
