

Perennia Food & Agriculture Incorporated

Financial Statements
March 31, 2020

Management's Responsibility for the Financial Statements

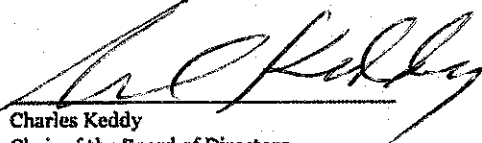
The financial statements have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these financial statements are management's responsibility. Management is also responsible for all of the notes to the financial statements, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

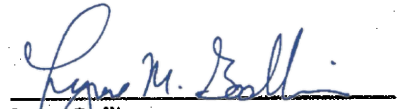
The Board of Directors (the "Board") are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Board. The Board reviews internal financial statements on a monthly basis and external audited financial statements yearly.

The external auditors, PricewaterhouseCoopers LLP, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the financial statements. The external auditors have full and free access to financial management of Perennia Food & Agriculture Incorporated and meet when required.

On behalf of Perennia Food & Agriculture Incorporated



Charles Keddy
Chair of the Board of Directors



Lynne Godlien
Chief Executive Officer

August 5, 2020



Independent auditor's report

To the Directors of Perennia Food & Agriculture Incorporated

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Perennia Food & Agriculture Incorporated (the Corporation) as at March 31, 2020 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

What we have audited

The Corporation's financial statements comprise:

- the statement of financial position as at March 31, 2020;
 - the statement of operations for the year then ended;
 - the statement of changes in net financial assets for the year then ended;
 - the statement of remeasurement gains for the year then ended;
 - the statement of cash flows for the year then ended; and
 - the notes to the financial statements, which include a summary of significant accounting policies.
-

Basis for opinion

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

Independence

We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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 public sector accounting standards, and for such internal control as

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



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 the Corporation'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 the Corporation or to cease operations, or has no realistic alternative but to do so.

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

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 Corporation'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 Corporation'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 Corporation 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Halifax, Nova Scotia
August 5, 2020

Perennia Food & Agriculture Incorporated

Statement of Financial Position

As at March 31, 2020

	2020 \$	2019 \$
Assets		
Current assets		
Cash and cash equivalents	465,741	2,013,787
Accounts receivable (note 4)	5,278,599	1,018,944
Portfolio investments (note 5)	6,247,102	4,439,334
Restricted investments (note 5)	527,591	527,591
	<hr/> 12,519,033	<hr/> 7,999,656
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	744,168	552,775
Deferred revenue	10,592,383	5,881,785
Deposits held in trust	4,863	5,428
	<hr/> 11,341,414	<hr/> 6,439,988
Net financial assets	<hr/> 1,177,619	<hr/> 1,559,668
Non-financial assets		
Tangible capital assets (note 7)	1,951,565	1,936,764
Prepaid expenses	33,629	15,913
	<hr/> 1,985,194	<hr/> 1,952,677
Accumulated surplus (note 12)	<hr/> 3,162,813	<hr/> 3,512,345
Commitments (note 9)		
Contingency (note 14)		

Approved by the Board of Directors

Signed – Charles Keddy
Director

Signed – Milton Wood
Director

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

Perennia Food & Agriculture Incorporated

Statement of Operations

For the year ended March 31, 2020

	Budget 2020 (Unaudited) \$	Actual 2020 \$	Actual 2019 \$
Revenue			
Government operating grants	3,370,700	3,297,851	3,721,266
Provincial consulting fees and project management	2,935,800	2,712,480	1,819,794
General consulting fees	1,181,600	1,426,977	991,151
Investment income	-	77,332	36,249
Other revenue	99,000	414,608	1,738
Lease and rental income	140,000	146,707	175,917
Gain on disposal of tangible capital assets	-	5,080	-
	7,727,100	8,081,035	6,746,115
Expenses			
Advertising and promotional expenses	135,500	77,273	83,176
Amortization	407,900	414,118	279,641
Bad debt expense	-	41,966	2,345
Dues and memberships	8,300	11,370	17,868
Insurance	6,900	6,900	7,475
Interest, bank and investment expenses	28,200	59,287	42,616
IT expenses	64,000	81,331	42,351
Lab and field supplies	154,000	120,121	72,714
Maintenance expenses	32,400	19,726	14,968
Meeting expenses	30,400	48,578	31,478
Office supplies	32,800	54,514	31,779
Other project related	1,971,000	2,526,131	1,690,260
Professional development	131,700	47,740	26,983
Professional services	614,600	251,303	270,381
Rent/lease expenses	155,000	157,324	160,058
Salaries and wages	4,378,400	4,497,093	3,872,380
Telecommunications expenses	119,800	105,301	103,765
Travel expenses	174,600	163,207	155,343
	8,445,500	8,683,283	6,905,581
Annual deficit before government capital grants	(718,400)	(602,248)	(159,466)
Government capital grants (note 16)	314,100	283,364	420,719
Annual (deficit) surplus	(404,300)	(318,884)	261,253
Accumulated annual surplus – Beginning of year (note 12)	2,516,920	2,516,920	2,255,667
Accumulated annual surplus – End of year (note 12)	2,112,620	2,198,036	2,516,920

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

Perennia Food & Agriculture Incorporated

Statement of Changes in Net Financial Assets

For the year ended March 31, 2020

	2020 \$	2019 \$
Annual surplus (deficit)	(318,884)	261,253
Net remeasurement gains (losses)	(30,648)	77,445
Additions to tangible capital assets	(468,468)	(1,037,118)
Disposal of tangible capital assets	39,549	-
Amortization	414,118	279,641
	(45,449)	(680,032)
Acquisition of prepaid expense	(239,118)	(51,942)
Consumption of prepaid expense	221,402	60,770
	(63,165)	(671,204)
Decrease in net financial assets	(382,049)	(409,951)
Financial assets – Beginning of year	1,559,668	1,969,619
Financial assets – End of year	1,177,619	1,559,668

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

Perennia Food & Agriculture Incorporated

Statement of Remeasurement Gains

For the year ended March 31, 2020

	2020 \$	2019 \$
Accumulated remeasurement gains – Beginning of year	467,834	390,389
Unrealized gains (losses) attributable to portfolio investments	(30,648)	77,445
Accumulated remeasurement gains – End of year (note 12)	<u>437,186</u>	<u>467,834</u>

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

Perennia Food & Agriculture Incorporated

Statement of Cash Flows

For the year ended March 31, 2020

	2020 \$	2019 \$
Cash provided by (used in)		
Operating activities		
Annual surplus (deficit)	(318,884)	261,253
Non-cash items		
Amortization	414,118	279,641
Gain on disposal of tangible capital assets	(5,080)	-
	90,154	540,894
Change in non-cash working capital balances		
Accounts receivable	(4,259,655)	(52,148)
Accounts payable and accrued liabilities	191,393	(232,218)
Prepaid expenses	(17,716)	8,828
Deferred revenue	4,710,598	3,455,686
Deposits held in trust	(565)	(862)
	714,209	3,720,180
Investing activities		
Net change in portfolio investments and restricted investments	(1,838,416)	(995,109)
Capital activities		
Acquisition of tangible capital assets	(468,468)	(1,037,118)
Proceeds on disposal of tangible capital assets	44,629	-
Proceeds from loans receivable	-	210,000
	(423,839)	(827,118)
Net change in cash during the year	(1,548,046)	1,897,953
Cash and cash equivalents – Beginning of year	2,013,787	115,834
Cash and cash equivalents – End of year	465,741	2,013,787

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

Perennia Food & Agriculture Incorporated

Notes to Financial Statements

For the year ended March 31, 2020

1 Nature of operations

Perennia Food & Agriculture Incorporated (the “Company”) is a provincial crown corporation.

The Company's objective is to support growth, transformation and economic development in Nova Scotia's agriculture, seafood, and food and beverage sectors.

2 Summary of significant accounting policies

Basis of accounting

These financial statements are prepared by management in accordance with Canadian public sector accounting standards for provincial reporting entities established by the Canadian Public Sector Accounting Board.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and short-term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. These short-term investments are held for the purpose of meeting short-term cash commitments rather than for investment.

Portfolio investments

The Company invests in fixed income bonds, equities and guaranteed investment certificates. The Company measures their investments at fair value. The change in the fair value of the portfolio investments is recognized in the statement of remeasurement gains. At the time when the portfolio investment is derecognized, the accumulated measurement gain or loss associated with the derecognized item is reversed and reclassified to the statement of operations.

Tangible capital assets

Tangible capital assets are stated at cost. Amortization is provided by the diminishing balance method at the following annual rates:

Buildings	10%
Computer hardware	55%
Computer software	100%
Equipment and office equipment	20%
Freight trucks and trailers	30%

Leaseholds are being amortized by the straight-line method over the lease term.

Amortization of tangible capital assets commences when they are put in use. Amortization is calculated at one-half of the normal annual rate in the year of acquisition; no amortization is recorded in the year of disposal.

Perennia Food & Agriculture Incorporated

Notes to Financial Statements

For the year ended March 31, 2020

2 Summary of significant accounting policies (continued)

Tangible capital assets (continued)

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Company's ability to provide services, or when the value of future economic benefits associated with the tangible capital assets is less than the net book value.

There are no tangible capital assets acquired in the current year (2019 - \$291,195) that are not being amortized given they were not in use as at March 31, 2020.

Revenue recognition

Revenue related to the Province of Nova Scotia's annual contribution is recognized equally over the year in which it is received.

Investment income is recognized as revenue when earned.

Consulting and fee income is recognized as revenue when the related expenses are incurred.

Nova Scotia Department of Agriculture project revenue is recognized as revenue when the related expenses are incurred.

Interest revenue on loans receivable is recognized when earned. Interest revenue ceases to be accrued on a loan when the collectability of either the principal or interest is not reasonably assured.

Lease and rental income is recognized when earned and when collection is reasonably assured.

Financial instruments

Measurement of financial instruments

The Company initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The Company subsequently measures all its financial assets and financial liabilities at amortized cost, except for portfolio investments that are quoted in an active market, which are measured at fair value. The quoted prices in active markets represent a Level 1 in the fair value hierarchy used to measure fair value.

Financial assets measured at amortized cost include cash and cash equivalents and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Perennia Food & Agriculture Incorporated

Notes to Financial Statements

For the year ended March 31, 2020

2 Summary of significant accounting policies (continued)

Financial instruments (continued)

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of any write-down is recognized in the statement of operations. Any previously recognized impairment loss may be reversed to the extent of the improvement, 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 not been recognized previously. The amount of any reversal is recognized in the statement of operations.

Transaction costs

The Company recognizes its transaction costs in the statement of operations in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

Employee future benefits

The Company participates in a defined contribution group RRSP matching plan for its full-time, permanent employees who have been employed with the Company for at least three months. The plan is not mandatory for the employees. Contributions are expensed in the period incurred.

Funds and reserves

Certain amounts, as approved by the Board of Directors, have been set aside in accumulated surplus for general contingencies. Transfers to/from funds and reserves are an adjustment to the respective fund when approved.

Measurement uncertainty

The preparation of the financial statements in accordance with Canadian public sector accounting standards 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 revenue and expenses during the reporting period. Significant estimates include the useful life of capital assets, rates for amortization and allowance for doubtful accounts.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Actual results could differ from the estimates.

Perennia Food & Agriculture Incorporated

Notes to Financial Statements

For the year ended March 31, 2020

3 Financial instruments

Risks and concentrations

The Company is exposed to various risks through its financial instruments. The following analysis provides a measure of the Company's risk exposure and concentrations at the statement of financial position date.

On March 11, 2020, the World Health Organization declared a pandemic following the emergence and rapid spread of a novel strain of coronavirus ("COVID-19"). The continuous spread of COVID-19 and the actions being taken by the governments, businesses and individuals to limit this pandemic may adversely impact the Company's operations and financial results, including increasing the credit risk associated with the Company's account receivables and the volatility in the fair value of the Company's portfolio investments. The pandemic has resulted in significant economic uncertainty, of which the potential impact on future financial results is difficult to reliably measure.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's main credit risks relate to its accounts receivable. The Company provides credit to its clients in the normal course of its operations. During the year, the Company has recorded an allowance for bad debts of \$46,408 (2019 - \$2,345) and recovered bad debts of \$nil (2019 - \$nil).

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Company is mainly exposed to interest rate risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its fixed and floating interest rate financial instruments. The fixed-rate instruments subject the Company to a fair value risk while the floating-rate instruments subject it to a cash flow risk.

4 Accounts receivable

	2020 \$	2019 \$
Accounts receivable – Province of Nova Scotia	4,958,078	635,086
Accounts receivable – Atlantic Canada Opportunities Agency	-	45,850
Accounts receivable – Other	296,412	158,439
HST receivable	70,517	184,369
	<hr/> 5,325,007	<hr/> 1,023,744
Allowance for doubtful accounts	(46,408)	(4,800)
	<hr/> 5,278,599	<hr/> 1,018,944

Perennia Food & Agriculture Incorporated

Notes to Financial Statements

For the year ended March 31, 2020

5 Portfolio investments

	2020 \$	2019 \$
Investments in bond pooled funds, Canadian equities pooled funds, US equities pooled funds and international equities pooled funds. The cost of these investments is \$1,971,762 (2019 - \$1,858,443)	1,804,822	1,866,925
Investments in GICs, maturing between April and July 2020 and carrying a 1.6% interest rate	4,969,871	3,100,000
	6,774,693	4,966,925
Less: Restricted investments (see below)	527,591	527,591
	<u>6,247,102</u>	<u>4,439,334</u>

The Board of Directors approved that \$400,000 of the long-term investments be internally restricted for the purposes of covering emergency cash flow requirements and general contingencies.

The Board of Directors approved that \$127,591 be internally restricted for future AgriFlex related expenses.

6 Accounts payable and accrued liabilities

	2020 \$	2019 \$
Accounts payable and accrued liabilities	740,328	549,187
Government remittances	3,840	3,588
	<u>744,168</u>	<u>552,775</u>

Perennia Food & Agriculture Incorporated

Notes to Financial Statements

For the year ended March 31, 2020

7 Tangible capital assets

	Computer hardware \$	Computer software \$	Office equipment \$	Equipment/ freight trucks/ trailers \$	Buildings \$	Leasehold improvements \$	Total 2020 \$	Total 2019 \$
Acquisition cost as of April 1	204,685	4,313	114,481	2,289,889	12,989	414,578	3,040,935	2,003,817
Additions	1,763	-	-	466,705	-	-	468,468	1,037,118
Disposals	-	-	-	(42,000)	-	-	(42,000)	-
Total acquisition cost of March 31	206,448	4,313	114,481	2,714,594	12,989	414,578	3,467,403	3,040,935
Accumulated amortization as of April 1	181,169	4,313	73,415	574,765	3,994	266,515	1,104,171	824,530
Amortization	13,253	-	8,218	358,050	899	33,698	414,118	279,641
Disposals	-	-	-	(2,451)	-	-	(2,451)	-
Total accumulated amortization as of March 31	194,422	4,313	81,633	930,364	4,893	300,213	1,515,838	1,104,171
Total net carrying value as of March 31	12,026	-	32,848	1,784,230	8,096	114,365	1,951,565	1,936,764

8 Income taxes

The Company and its property are exempt from taxation under section 149 (1)(d) of the Income Tax Act.

9 Commitments

The Company is leasing office equipment expiring July 2021. The annual rent for the next two years is as follows:

	\$
2021	13,615
2022	3,403

The Company has entered into an agreement with an arms-length party to perform information technology related contract services for the period August 1, 2019 to July 31, 2020. The annual contract is limited to a maximum of \$62,000, plus HST. Services will be rendered on an as needed basis.

10 Employee future benefits

The Company participates in a defined contribution group RRSP matching plan for its full-time, permanent employees who have been employed with the Company for at least three months. The plan is not mandatory for the employees. Contributions are expensed in the period incurred. The Company contributed \$119,289 (2019 - \$91,506) to the plan during the year.

Perennia Food & Agriculture Incorporated

Notes to Financial Statements

For the year ended March 31, 2020

11 Budgeted figures

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the board. The budgeted figures provided have not been audited.

12 Accumulated surplus

Accumulated surplus is comprised of the following:

	2020 \$	2019 \$
Annual surplus (deficit)	(318,884)	261,253
Remeasurement gains (losses)	(30,648)	77,445
	<u>(349,532)</u>	<u>338,698</u>

Accumulated surplus is comprised of the following:

	2020 \$	2019 \$
Accumulated annual surplus	2,198,036	2,516,920
Accumulated remeasurement gains	437,186	467,834
Fund for general contingencies	400,000	400,000
Fund for future AgriFlex expenses	127,591	127,591
	<u>3,162,813</u>	<u>3,512,345</u>

Perennia Food & Agriculture Incorporated

Notes to Financial Statements

For the year ended March 31, 2020

13 Compensation disclosure required pursuant to the public sector compensation disclosure act

Section 3 of the Public Sector Compensation Disclosure Act of the Province of Nova Scotia requires public sector bodies to publicly disclose the amount of compensation it pays or provides, directly or indirectly, to any person in the fiscal year if the compensation to that person is one hundred thousand dollars or more including compensation paid to, or for the benefit of, each of its board members, officers, employees, contractors and consultants.

Section 4 of the Act requires that the information reported be disclosed in the body of the audited financial statements of the Company or in a statement prepared for the purposes of the Act and certified by its auditors. The Company has chosen to disclose this required information as part of its audited financial statements.

For the year ended March 31, 2020, the following employees received compensation of \$100,000 or more:

	\$
Lynne Godlien	138,172
Edmund Halfyard	101,874
Marilyn O'Neil	105,279

Compensation as reported above include salaries and the employer portion of benefits.

14 Contingency

There is a legal claims against the Company related to a customer's losses resulting from the handling of strawberry virus for 2012-14. The likelihood of loss or estimate of loss is undeterminable at time of issue of these financial statements.

15 Related party transactions

On December 18, 2015, the Company entered into an agreement to lease the facilities in Bible Hill, Nova Scotia where its Food and Beverage Innovation Centre is located from the Province of Nova Scotia at an annual cost of \$1.00. This lease agreement expires August 30, 2023.

16 Government capital grants

During the year, the Company received contributions from the Province of Nova Scotia to fund the acquisition of tangible capital assets related to:

	2020 \$	2019 \$
Mobile Bottling Line	-	18,842
Centre for Marine Applied Research Equipment	96,684	64,629
Generator	22,288	-
Mobile Filtration	139,557	291,195
Plant Health Lab	24,835	46,053
	<hr/> 283,364	<hr/> 420,719