

Ontario Food Terminal Board
Financial Statements
For the year ended March 31, 2021

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December 2, 2021

Management's Responsibility for Financial Statements

The accompanying financial statements of the Ontario Food Terminal Board have been prepared in accordance with Canadian public sector accounting standards and are the responsibility of management. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to December 2, 2021.

Management maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal controls. The Board of Directors reviews and approves the financial statements.

The financial statements have been audited by the Office of the Auditor General of Ontario. The Auditor General's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian public sector accounting standards. The independent auditor's report, which appears on the following page, outlines the scope of the Auditor General's examination and opinion.

Bruce Nicholas
General Manager, Secretary Treasurer

Gianfranco Leo
Manager of Administration



INDEPENDENT AUDITOR'S REPORT

To the Ontario Food Terminal Board and to the Ministry of Finance

Opinion

I have audited the financial statements of the Ontario Food Terminal Board (OFTB), which comprise the statement of financial position as at March 31, 2021, and the statements of revenue and expenditures, 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 my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the OFTB as at March 31, 2021 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, 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 the OFTB'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 the OFTB either intends to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my 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, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 OFTB'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 OFTB's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause OFTB 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.

I 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 I identify during my audit.



Ontario Food Terminal Board
Statement of Financial Position

March 31 **2021** **2020**

Assets

Current

Cash	\$ 744,333	\$ -
Accounts receivable	678,814	1,137,861
Prepaid expenses	69,671	79,461
	<u>1,492,818</u>	<u>1,217,322</u>

Capital assets (Note 3) 44,616,780 46,443,003

\$ 46,109,598 **\$ 47,660,325**

Liabilities and Net Assets

Current

Bank indebtedness	\$ -	\$ 2,277
Demand loans (Note 4)	15,045,021	16,189,012
Accounts payable and accrued liabilities	743,638	1,332,620
Deferred revenue	963,669	818,679
	<u>16,752,328</u>	<u>18,342,588</u>

Deferred capital contributions (Note 5) 409,628 421,703

17,161,956 **18,764,291**

Net Assets

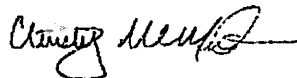
Invested in capital assets	29,162,131	29,832,288
Unrestricted	(214,489)	(936,254)
	<u>28,947,642</u>	<u>28,896,034</u>

\$ 46,109,598 **\$ 47,660,325**

Commitments (Note 7)

Contingent liabilities (Note 10)

On behalf of the Board of Directors:



Chair



Secretary Treasurer

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

Ontario Food Terminal Board

Statement of Revenue and Expenditures

For the year ended March 31	2021	2020
Revenue		
Rent	\$ 9,576,877	\$ 9,479,277
Cold storage	2,319,499	2,943,516
Toll fees	667,575	690,922
Buyers access tolls	409,620	421,906
COVID-19 funding (Note 11)	399,135	33,149
Other income	250,308	470,373
	13,623,014	14,039,143
Expenditures		
Salaries and benefits (Note 6,11)	4,054,396	3,779,852
Electric power	2,209,129	2,311,588
Amortization	2,143,907	2,015,823
Waste removal	1,839,619	1,718,818
Realty and business taxes	701,512	730,474
Repairs and maintenance	603,505	727,910
COVID-19 expenses (Note 11)	445,720	44,276
Interest	421,807	646,593
Insurance	365,147	358,922
Fuel	153,763	137,053
Miscellaneous contract services	151,536	159,272
Operating supplies and expense	142,527	192,177
Office expenses	123,936	98,997
Rent expense - hydro land	74,198	74,198
Water	62,362	59,212
Board members' fees and expenses	33,816	84,618
Legal services	33,706	83,024
Miscellaneous expenses	10,820	27,980
	13,571,406	13,250,787
Excess of revenue over expenditures for the year	\$ 51,608	\$ 788,356

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

Ontario Food Terminal Board Statement of Changes in Net Assets

For the year ended March 31

	Invested in Capital Assets	Unrestricted	Total 2021
Net assets, beginning of year	\$ 29,832,288	\$ (936,254)	\$ 28,896,034
Excess of revenue over expenditures for the year	-	51,608	51,608
Purchase of capital assets	317,684	(317,684)	-
Amortization of capital assets	(2,143,907)	2,143,907	-
Amortization of deferred capital contributions	12,075	(12,075)	-
Repayment of demand loans invested in capital assets	1,143,991	(1,143,991)	-
Net assets, end of year	\$ 29,162,131	\$ (214,489)	\$ 28,947,642

	Invested in Capital Assets	Unrestricted	Total 2020
Net assets, beginning of year	\$ 28,586,720	\$ (479,042)	\$ 28,107,678
Excess of revenue over expenditures for the year	-	788,356	788,356
Purchase of capital assets	5,207,019	(5,207,019)	-
Amortization of capital assets	(2,015,823)	2,015,823	-
Amortization of deferred capital contributions	12,078	(12,078)	-
Additional borrowings on demand loans invested in capital assets	(3,000,000)	3,000,000	-
Repayment of demand loans invested in capital assets	1,042,294	(1,042,294)	-
Net assets, end of year	\$ 29,832,288	\$ (936,254)	\$ 28,896,034

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

Ontario Food Terminal Board Statement of Cash Flows

For the year ended March 31	2021	2020
Cash provided by (used in):		
Operating activities		
Excess of revenue over expenditures for the year	\$ 51,608	\$ 788,356
Adjustments to reconcile excess of revenue over expenditures to net cash provided by operating activities		
Amortization of capital assets	2,143,907	2,015,823
Amortization of deferred capital contributions related to capital assets	(12,075)	(12,078)
Changes in non-cash working capital balances		
Accounts receivable	459,047	(157,270)
Prepaid expenses	9,790	(6,941)
Accounts payable and accrued liabilities	(588,982)	(214,978)
Deferred revenue	144,990	1,118
	<u>2,208,285</u>	<u>2,414,030</u>
Capital activities		
Purchase of capital assets	<u>(317,684)</u>	<u>(5,207,019)</u>
Financing activities		
Additional borrowings on demand loan	-	3,000,000
Repayment of demand loans	(1,143,991)	(1,042,294)
Increase (decrease) in bank indebtedness	<u>(2,277)</u>	<u>2,277</u>
	<u>(1,146,268)</u>	<u>1,959,983</u>
Net change in cash	<u>744,333</u>	<u>(833,006)</u>
Cash, beginning of year	<u>-</u>	<u>833,006</u>
Cash, end of year	<u>\$ 744,333</u>	<u>\$ -</u>

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

Ontario Food Terminal Board Notes to Financial Statements

March 31, 2021

1. Nature of Operations

The Ontario Food Terminal Board ("the Board"), a government agency of the Province of Ontario, was incorporated without share capital pursuant to the Ontario Food Terminal Act, R.S.O. 1990, c O.15 and Ontario Regulations 871, 872, and 65/09 made under the Act. The objectives of the Board include the operation of a wholesale fruit and produce market and the acquisition and operation of facilities for the transportation and handling of fruit and produce. To meet these objectives, the Board leases land and buildings to wholesalers and growers. The Board is a not-for-profit Board Governed Provincial Agency and is exempt from income taxes.

2. Summary of Significant Accounting Policies

Basis of Accounting

These financial statements are prepared in accordance with Canadian Public Sector Accounting Standards for government not-for-profit organizations that include the 4200 series of the Public Sector Accounting Standards.

The net assets of the Board are presented and accounted for as follows:

- unrestricted - includes the cumulative net assets of operating revenue over expenditures; and
- invested in capital assets - represents the net investment in the Board's capital assets, as described in Note 3. Amounts required for the purchase of capital assets are transferred from unrestricted net assets to invested in capital assets.

Revenue Recognition

Revenue arising from rent, cold storage, toll fees and buyer access tolls is recognised as revenue as services are provided and the amount is estimable and collectibility is reasonably assured.

Deferred revenue is generated from the prepayment of rent, stall rentals, parking rentals, buyers' access cards and office rentals and is recognized as revenue on a straight-line basis over the rental term.

Deferred capital contributions are externally restricted for capital assets and are deferred and amortized into revenue in accordance with the amortization policy applied to the related capital asset recorded.

Other income primarily consists of interest income and billboard rent revenue and is recognized as revenue when earned and the amount is estimable and collection is reasonably assured.

Expenditures

Expenditures are reported net of recoverable sales tax.

Cash

Cash consists of cash on hand that is held with a major financial institution.

Ontario Food Terminal Board Notes to Financial Statements

March 31, 2021

2. Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are recorded at cost. Amortization of capital assets is provided on a straight line basis over their estimated useful lives as follows:

Land improvements	10 to 30 years
Buildings	10 to 40 years
Equipment	5 to 20 years
Parking deck and retaining wall	4 to 40 years

Amortization of construction-in-progress will commence when the construction is substantially complete and put into use.

Impairment of long-lived Assets

The Board reviews the carrying amounts, amortization and useful lives of its capital assets regularly. If the capital asset no longer has any long term service potential to the Board, the excess of the net carrying amount over any residual value is recognised as an expense in the statement of revenue and expenditures.

Financial Instruments

The Board initially measures its financial assets and financial liabilities at fair value. The Board subsequently measures all its financial assets and liabilities at amortized cost.

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

If there is an indication of impairment, the Board determines whether there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Board expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value. Impairments are recognized through the use of an allowance account, with a corresponding charge in the statement of revenue and expenditures.

Use of Estimates

The preparation of 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 at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Accounts requiring significant estimates include the useful lives of capital assets.

Ontario Food Terminal Board Notes to Financial Statements

March 31, 2021

3. Capital Assets

	2021		
	Cost	Accumulated Amortization	Net Book Value
Land	\$ 275,604	\$ -	\$ 275,604
Land improvements	7,401,937	2,432,416	4,969,521
Buildings	55,412,192	20,932,434	34,479,758
Equipment	6,719,212	3,673,004	3,046,208
Parking deck and retaining wall	7,435,541	5,620,402	1,815,139
Construction-in-progress	30,550	-	30,550
	\$ 77,275,036	\$ 32,658,256	\$ 44,616,780
	2020		
	Cost	Accumulated Amortization	Net Book Value
Land	\$ 275,604	\$ -	\$ 275,604
Land improvements	7,391,165	2,218,698	5,172,467
Buildings	55,191,391	19,543,887	35,647,504
Equipment	6,633,970	3,364,701	3,269,269
Parking deck and retaining wall	7,435,541	5,387,062	2,048,479
Construction-in-progress	29,680	-	29,680
	\$ 76,957,351	\$ 30,514,348	\$ 46,443,003

During the year, no fully amortized assets were written off (2020 - \$Nil).

During the year, \$211,576 (2020 - \$7,598,371) was transferred from construction-in-progress to buildings in the amount of \$200,805 (2020 - \$7,114,964); to land improvements in the amount of \$10,771 (2020 - \$Nil); and to equipment in the amount of \$Nil (2020 - \$483,407).

Amortization expense for the year was \$2,143,907 (2020 - \$2,015,823) and is included in amortization in the statement of revenue and expenditures.

Ontario Food Terminal Board Notes to Financial Statements

March 31, 2021

4. Demand Loans

Demand loans comprise the following:

	<u>2021</u>	<u>2020</u>
Demand loan, non-revolving with a maximum borrowing amount of \$1,125,000 (2020 - \$1,125,000), bearing interest at prime plus ¼%, monthly repayments of \$5,000 principal plus interest; this loan is primarily used to finance capital expenditures.	\$ 1,005,000	\$ 1,065,000
Demand loan, non-revolving with a maximum borrowing amount of \$2,681,641, (2020 - \$2,681,641), bearing interest at prime plus ¼%, monthly repayments of \$24,378, principal plus interest; this loan is primarily used to finance capital expenditures.	2,096,570	2,389,106
Demand loan, non-revolving with a maximum borrowing amount of \$7,847,731 (2020 - \$7,847,731), bearing interest at prime plus ¼%, monthly repayments of \$40,662, principal plus interest commencing no later than April 30, 2015, interest only monthly payments during construction of capital assets; this loan is primarily used to finance capital expenditures.	6,871,847	7,359,789
Demand loan, non-revolving with a maximum borrowing amount of \$1,576,934 (2020 - \$1,576,934), bearing interest at prime plus ¼%, monthly repayments of \$8,344, principal plus interest; this loan is primarily used to finance the cost for replacement of refrigeration equipment.	1,376,689	1,476,812
Demand loan, non-revolving with a maximum borrowing amount of \$4,000,000 (2020 - \$4,000,000), bearing interest at prime plus ¼%, monthly repayments of \$16,950, principal plus interest; this loan is solely used to finance the cost for the compactor station and cold storage receiving area.	3,694,915	3,898,305
	<u>\$ 15,045,021</u>	<u>\$ 16,189,012</u>

All of the above loan facilities are supported by a Letter of Undertaking not to sell, further mortgage or otherwise encumber property located at 165 The Queensway.

As at March 31, 2021, there were externally imposed debt covenants with respect to the Board's external bank loans. All covenants were complied with as at March 31, 2021.

The Board also has access to a \$1,000,000 demand revolving facility bearing interest at the prime rate and can be used for the daily operating and working capital needs of the Board. As of March 31, 2021, the Board has utilized \$Nil (2020 - \$Nil).

Ontario Food Terminal Board

Notes to Financial Statements

March 31, 2021

5. Deferred Capital Contributions

In 2011, The Board received a one-time capital contribution of \$500,000 from the Ontario Ministry of Agriculture, Food and Rural Affairs. The related asset was substantially complete and ready for use in fiscal 2015, at which point the Board commenced amortizing the capital contribution into revenue and is included in other income in the statement of revenue and expenditures.

	2021	2020
Balance, beginning of year	\$ 421,703	\$ 433,781
Less: Amortization to revenue during the year	(12,075)	(12,078)
Balance, end of year	\$ 409,628	\$ 421,703

6. Self-directed Registered Retirement Savings Plan (RRSP)

The Board offers its full-time employees a self-directed RRSP, whereby employees make a minimum contribution of 5% of their pay. The Board contributes a matching amount up to a maximum of 6% for employees with over 15 years of service and 5% for all other eligible employees. The expense for the year under this RRSP was \$101,082 (2020 - \$94,375) and is included in salaries and benefits.

7. Commitments

The Board leases land for vehicle parking space and office equipment under operating leases. The future annual minimum lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2022	\$ 415,392
2023	328,863
2024	55,148
2025	1,260
	<u>\$ 800,663</u>

Ontario Food Terminal Board

Notes to Financial Statements

March 31, 2021

8. Financial Instrument Risk

The board holds instruments that are subject to credit risk, liquidity risk and interest rate risk.

Credit risk

Credit risk on financial instruments is the risk of a financial loss occurring as a result of default or insolvency of a counterparty on its obligations to the Board. The cost of the assets as presented in the statement of financial position represents the maximum credit risk exposure as at the date of the financial statements. The Board places its cash in interest bearing accounts and instruments insured (up to a certain limit) by a Canadian chartered bank, or in highly liquid investments that are readily convertible into known amounts of cash.

The Board, in the normal course of business, is exposed to credit risk from its customers. This risk is mitigated by thorough and rigorous credit approval procedures.

As at March 31, 2021, the following accounts receivable were past due but not impaired:

2021	30 days	60 days	90 days	Over 90 days
Accounts receivable	\$111,575	\$34,293	\$14,193	\$45,649
2020	30 days	60 days	90 days	Over 90 days
Accounts receivable	\$310,668	\$145,607	\$2,901	\$45,134

Management believes the Board's credit risk is low.

Liquidity risk

Liquidity risk is the risk an entity will encounter difficulty in meeting obligations associated with financial liabilities as they come due. To manage liquidity risk, the Board monitors its operations and cash flows to ensure sufficient resources exist to meet its obligations. All of the Board's investments are considered to be readily realizable, as they can be quickly liquidated at amounts close to their fair value in order to meet liquidity requirements.

Ontario Food Terminal Board Notes to Financial Statements

March 31, 2021

8. Financial Instrument Risk (continued)

The table below is a maturity analysis of the Board's financial liabilities as at March 31, 2021:

2021	Up to 6 months	Between 6 months and 1 year	More than 1 year up to 5 years	More than 5 years	Total
Accounts payable and accrued liabilities	\$ 743,638	\$ -	\$ -	\$ -	\$ 743,638
Demand loans	<u>571,995</u>	<u>571,995</u>	<u>4,575,962</u>	<u>9,325,069</u>	<u>15,045,021</u>
	\$ 1,315,633	\$ 571,995	\$ 4,575,962	\$ 9,325,069	\$15,788,659
2020	Up to 6 months	Between 6 months and 1 year	More than 1 year up to 5 years	More than 5 years	Total
Bank indebtedness	\$ 2,277	\$ -	\$ -	\$ -	\$ 2,277
Accounts payable and accrued liabilities	1,332,620	-	-	-	1,332,620
Demand loans	<u>571,995</u>	<u>571,995</u>	<u>4,575,962</u>	<u>10,469,060</u>	<u>16,189,012</u>
	\$ 1,906,892	\$ 571,995	\$ 4,575,962	\$10,469,060	\$17,523,909

The demand loans' maturity analyses above represent scheduled repayments.

Interest rate risk

Interest rate risk arises from fluctuations in interest rates and the degree of volatility of those rates. The Board has demand loans that bear interest based on the prime interest rate; therefore, the Board is exposed to interest rate cash flow risk as the required cash flows to service the obligations will fluctuate as a result of changes in the market rates.

9. Contractual Rights

Contractual rights are rights to economic resources arising from contracts or agreements that will result in revenues and assets in the future. The Board's contractual rights arise because of the contracts entered into for the lease of land and buildings to warehouse unit tenants. The leases end at different points in time with the longest effective until 2044, and the amount of future revenue is equal to the actual amounts expended by the Board for taxes, operating and maintenance expenses and other costs and charges relating to the upkeep and operation of the rented units under lease.

Ontario Food Terminal Board

Notes to Financial Statements

March 31, 2021

10. Contingent Liabilities

In the normal course of business, various claims and litigious matters are pending by and against the Board. In the opinion of the Board's management, these claims will not materially affect the Board's financial position, although no assurance can be given with respect to the ultimate outcome of such claims. Any potential settlements will be recorded when a liability is likely and an amount can be reasonably estimated.

11. Significant Event – COVID-19

Effective March 19, 2020, the Ministry of Agriculture, Food and Rural Affairs (OMAFRA) agreed to reimburse the Board for 70% of certain eligible expenses, with a maximum of \$399,135 for the 2021 fiscal year and a maximum of \$146,865 for the fiscal year 2022, related to steps to prevent the spread of COVID-19 at the Board. Eligible expenses include costs related to increased sanitization and security protocols in common, tenant, and restricted areas of the Board's facilities.

During the year, the Board has recognized funding of \$399,135 (2020 - \$33,149) and incurred total expenses of \$609,869 (2020 - \$47,356) related to COVID-19 of which \$164,149 (2020 - \$3,080) are included in salaries and benefits.

As at March 31, 2021, the Board has recorded a receivable from OMAFRA of \$27,775 (2020 - \$33,149) related to eligible costs incurred in the 2021 fiscal year.

12. Comparative figures

Certain prior year figures have been reclassified to conform to the current year's financial statement presentation.