



Ontario Food Terminal Board
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62nd Annual Report of the Ontario Food Terminal Board For the Fiscal Year Ending March 31, 2016

The members of the Ontario Food Terminal Board for the 2015/16 fiscal year were: Alison Robertson, was first appointed as a member on October 22, 2014 and then appointed as Chair on January 15, 2016 to January 14, 2019. Victor Debono, was first appointed as a member on January 3, 2003 and then appointed as Vice-Chair on May 4, 2005 to April 28, 2017. He also served as Interim Chair from April 29, 2011 to August 14, 2012; Mark Pearlman was first appointed as a member on November 15, 2006 and reappointed on January 21, 2014 to January 21, 2017; William Cudmore was appointed with a term of November 3, 2010 to November 1, 2013 and reappointed to November 2, 2016; Paul Tiveron was appointed with a term of November 3, 2010 to November 1, 2013 and reappointed to November 2, 2016. Paola Guarnieri was appointed as a member of the Board with a term of January 5, 2015 to January 4, 2018.

Throughout the year, the Board has been working diligently to continuously support Ontario's important agricultural industry and maintain the vital contribution that the Ontario Food Terminal provides to Ontario's economy. The Board ensures that the Terminal operates efficiently and is maintained in order to provide excellent customer service to Ontario Growers, produce buyers, retailers and institutions and that they continue to use the Terminal as a major source of supply of fresh fruits, vegetables and horticultural products. The Terminal also provides Ontario Farmers and produce distributors a wholesale channel where they can distribute and market their fresh fruits and vegetables to the thousands of businesses in the food and horticultural industries.

The Board had a net income of \$1,010,460 in the 2015/16 fiscal year compared to a net income of \$1,239,676 in 2014/15 fiscal year. The main reason for the decrease in net income was as a result of lower revenues from toll fees due to a minor decreased in truck activity at the Terminal. The Board also experienced higher expenses of \$700,000 in the 2015/16 fiscal year compared to the 2014/15 fiscal year resulting from higher electric power prices and



amortization. The Board continued to have another successful year and has met and exceeded its overall financial revenue targets by \$299,651 which helped to offset the \$354,167 increase in operating expenses when compared to the Board's annual budget. Capital expenditures for the year totaled \$4,947,385.

The volume of fruit and produce distributed through the Terminal for the 2015/16 fiscal year was approximately 1,004,079 tons (2 Billion Pounds), which was a slight increase of 0.73% from the 2014/15 fiscal year. The share of Ontario grown produce sold at the Terminal accounts for approximately 35% to 40% of the total. The Board is continually promoting the entire facility, including the farmers' market, through its website, social media, trade shows, Foodland Ontario, and tours. As a result, the Board has met its target of getting more buyers to make purchases in the farmers' market.

The Terminal continues to be the main source of fruit and produce for the independent grocery trade in Ontario. The Terminal is a competitive wholesale market which allows more than 5,000 buyers to purchase high quality produce from 20 warehouse and 400 Ontario farmer tenants. There are approximately 400 different varieties of produce sold at the Terminal with approximately 150 of these grown locally.

I would like to thank both my fellow directors on the Board, the Terminal tenants, the Terminal employees, the suppliers of goods and services to the Terminal and the many buyers for helping make the Board's 2015/16 fiscal year a success.

Ontario Food Terminal Board

Alison Robertson
Chair

Ontario Food Terminal Board

**Financial Statements
March 31, 2016**

Ontario Food Terminal Board

Statement of Financial Position

As at March 31, 2016

	2016 \$	2015 \$
Assets		
Current assets		
Cash	-	887,592
Investments (note 3)	8,209,307	8,062,329
Accounts receivable	747,773	782,413
Prepaid expenses and supplies	77,652	81,035
	<u>9,034,732</u>	<u>9,813,369</u>
Capital assets (note 4)	<u>33,469,555</u>	<u>30,093,870</u>
	<u>42,504,287</u>	<u>39,907,239</u>
Liabilities		
Current liabilities		
Bank indebtedness (note 5)	570,080	-
Demand loans (note 5)	14,913,771	13,504,433
Accounts payable and accrued liabilities	1,371,189	1,714,646
Deferred revenue	687,049	724,344
	<u>17,542,089</u>	<u>15,943,423</u>
Deferred capital contributions (note 6)	<u>470,015</u>	<u>482,093</u>
	<u>18,012,104</u>	<u>16,425,516</u>
Net Assets		
Net assets invested in capital assets	18,210,769	16,107,344
Unrestricted net assets	6,281,414	7,374,379
	<u>24,492,183</u>	<u>23,481,723</u>
	<u>42,504,287</u>	<u>39,907,239</u>
Commitments (note 8)		
Contingencies (note 10)		

On Behalf of the Board of Directors



Director



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, 2016

	2016 \$	2015 \$
Revenue		
Rent	8,417,311	7,988,726
Cold storage	2,298,949	2,291,714
Toll fees	696,696	714,188
Buyer access tolls	423,562	422,030
Other income	240,543	189,619
	<u>12,077,061</u>	<u>11,606,277</u>
Expenditures		
Salaries and benefits (note 7)	3,095,012	2,978,589
Electric power	2,171,690	1,811,604
Amortization	1,571,700	1,219,954
Waste removal	1,372,554	1,438,867
Realty and business taxes	798,895	829,496
Repairs and maintenance	534,369	510,258
Interest	454,119	351,989
Insurance	322,154	323,292
Operating supplies and expense	137,999	154,285
Fuel	103,433	167,597
Legal services	99,178	92,100
Miscellaneous contract services	96,320	89,798
Office	93,349	90,022
Rent - hydro land	61,747	55,787
Board members' fees and expenses	59,200	43,551
Miscellaneous	49,631	169,084
Water	45,251	40,328
	<u>11,066,601</u>	<u>10,366,601</u>
Excess of revenue over expenditures for the year	<u>1,010,460</u>	<u>1,239,676</u>

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, 2016

	2016		
	Invested in capital assets \$	Unrestricted \$	Total \$
Net assets - Beginning of year	16,107,344	7,374,379	23,481,723
Excess (deficiency) of revenue over expenditures for the year	(1,571,700)	2,582,160	1,010,460
Invested in capital assets	4,947,385	(4,947,385)	-
Interfund transfer	12,078	(12,078)	-
Additional borrowings on demand loans invested in capital assets	(2,083,616)	2,083,616	-
Repayment of demand loans invested in capital assets	799,278	(799,278)	-
Net assets - End of year	18,210,769	6,281,414	24,492,183
	2015		
	Invested in capital assets \$	Unrestricted \$	Total \$
Net assets - Beginning of year	14,138,321	8,103,726	22,242,047
Excess (deficiency) of revenue over expenditures for the year	(1,219,954)	2,459,630	1,239,676
Invested in capital assets	8,453,763	(8,453,763)	-
Disposal of capital assets	(7,442)	7,442	-
Interfund transfer	1,006	(1,006)	-
Additional borrowings on demand loans invested in capital assets	(5,621,242)	5,621,242	-
Repayment of demand loans invested in capital assets	362,892	(362,892)	-
Net assets - End of year	16,107,344	7,374,379	23,481,723

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, 2016

	2016 \$	2015 \$
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenditures for the year	1,010,460	1,239,676
Adjustments to reconcile excess of revenue over expenditures to cash provided by operating activities		
Amortization of capital assets	1,571,700	1,219,954
Loss on sale of capital assets	-	2,342
Amortization of deferred capital contributions related to capital assets	(12,078)	(1,006)
Changes in non-cash working capital balances		
Accounts receivable	34,640	191,846
Prepaid expenses and supplies	3,383	2,004
Accounts payable and accrued liabilities	(343,457)	(659,526)
Deferred revenue	(37,295)	(190,111)
	<u>2,227,353</u>	<u>1,805,179</u>
Investing activities		
Purchase of investments	(8,209,307)	(8,062,329)
Proceeds from sale of investments	8,062,329	8,000,000
	<u>(146,978)</u>	<u>(62,329)</u>
Capital activities		
Purchase of capital assets	(4,947,385)	(8,453,763)
Proceeds from sale of capital assets	-	5,100
	<u>(4,947,385)</u>	<u>(8,448,663)</u>
Financing activities		
Additional borrowings on demand loans	2,233,616	5,621,242
Repayment of demand loans	(824,278)	(362,892)
Bank indebtedness	570,080	-
	<u>1,979,418</u>	<u>5,258,350</u>
Decrease in cash during the year	(887,592)	(1,447,463)
Cash - Beginning of year	887,592	2,335,055
Cash - End of year	<u>-</u>	<u>887,592</u>

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

Ontario Food Terminal Board

Notes to Financial Statements

March 31, 2016

1 Nature of operations

The Ontario Food Terminal Board (the Board), a government enterprise of the Province of Ontario, was incorporated without share capital pursuant to the Ontario Food Terminal Act (the Act), R.S.O. 1990, c O.15 and Ontario Regulations 871, 872 and 65/09 made under the Act. The objects 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

The financial statements of the Board are the representations of management prepared in accordance with Canadian public sector accounting standards (PSAS) for government, including any standards that apply to government not-for-profit organizations.

Fund accounting

These financial statements include the following funds:

- 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 4. Amounts required for the purchase of capital assets are transferred from the unrestricted fund to the invested in capital assets fund.

Revenue recognition

Revenue arising from rent, cold storage, toll fees and buyer access tolls is recognized as revenue as services are provided 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 and are deferred and amortized into revenue in accordance with the amortization policy applied to the related capital asset recorded.

Other income consists of interest income and is recognized as revenue when earned.

Expenditures

Expenditures are reported net of recoverable sales tax.

Ontario Food Terminal Board

Notes to Financial Statements

March 31, 2016

Investments

Investments are guaranteed investment certificates (GICs) and are carried at amortized cost in the financial statements. Investment income is included in the statement of revenue and expenditures as other income.

The carrying amount of the GICs approximates their fair value at year-end.

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 construction is substantially complete and the asset is 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 recognized 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 financial liabilities at amortized cost.

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

If there is an indicator 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.

Ontario Food Terminal Board

Notes to Financial Statements

March 31, 2016

Measurement uncertainty

The preparation of financial statements in accordance with PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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. Actual results could differ from those estimates.

3 Investments

	2016 \$	2015 \$
Bank of Montreal, 1.30% GIC, due on October 23, 2015	-	5,062,329
Bank of Montreal, 1.05% GIC, due on April 30, 2015	-	3,000,000
Bank of Montreal, 1.85% GIC, due on November 3, 2016	5,127,958	-
Bank of Montreal, 1.15% GIC, due on May 2, 2016	3,081,349	-
	<u>8,209,307</u>	<u>8,062,329</u>

4 Capital assets

	2016		
	Cost \$	Accumulated amortization \$	Net \$
Land	275,604	-	275,604
Land improvements	2,413,377	2,013,841	399,536
Buildings	39,130,048	15,123,451	24,006,597
Equipment	7,333,790	3,583,195	3,750,595
Parking deck and retaining wall	6,903,577	4,653,799	2,249,778
Construction-in-progress	2,787,445	-	2,787,445
	<u>58,843,841</u>	<u>25,374,286</u>	<u>33,469,555</u>
	2015		
	Cost \$	Accumulated amortization \$	Net \$
Land	275,604	-	275,604
Land improvements	2,207,759	1,952,001	255,758
Buildings	37,965,439	14,142,647	23,822,792
Equipment	6,100,612	3,271,834	2,828,778
Parking deck and retaining wall	6,903,576	4,436,104	2,467,472
Construction-in-progress	443,466	-	443,466
	<u>53,896,456</u>	<u>23,802,586</u>	<u>30,093,870</u>

Ontario Food Terminal Board

Notes to Financial Statements

March 31, 2016

During the year, \$2,082,653 (2015 - \$13,666,734) was transferred from construction-in-progress, to buildings in the amount of \$1,035,523 (2015 - \$11,231,712) and to equipment in the amount of \$1,047,130 (2015 - \$2,435,022).

5 Demand loans

Demand loans comprise the following:

	2016 \$	2015 \$
Demand loan, non-revolving with a maximum borrowing amount of \$3,924,920, bearing interest at prime plus 1/4%, monthly repayments of \$24,378 principal plus interest; this loan is primarily used to finance capital expenditures	3,559,250	3,851,786
Demand loan, non-revolving with a maximum borrowing amount of \$9,800,000, bearing interest at prime plus 1/4%, monthly repayments of \$40,833 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	9,352,218	7,921,524
Demand loan, non-revolving with a maximum borrowing amount of \$2,000,000, bearing interest at prime plus 1/4%, monthly repayments of \$8,333 principal plus interest; this loan is primarily used to finance the cost for replacement of refrigeration equipment	1,877,303	1,731,123
Operating loan, revolving line of credit to a maximum availability of \$1,000,000, which bears interest at the bank's prime rate; this loan is primarily used to finance operations as necessary	125,000	-
	<u>14,913,771</u>	<u>13,504,433</u>

The Board has a non-revolving fixed rate term loan to a maximum availability of \$1,200,000, which bears interest at the bank's prime rate plus 1/4%. As at March 31, 2016, the Board had no borrowings outstanding under this facility.

All of the above loans are supported by a letter of undertaking not to sell, further mortgage or otherwise encumber the property located at 165 The Queensway.

As at March 31, 2016, there were externally imposed debt covenants with respect to the Board's external bank loans. All covenants were complied with as at March 31, 2016.

As at March 31, 2016, the Board was in a cash overdraft position of \$570,080.

Ontario Food Terminal Board

Notes to Financial Statements

March 31, 2016

6 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.

	2016 \$	2015 \$
Balance - Beginning of year	482,093	483,099
Less: Amortization to revenue during the year	<u>12,078</u>	<u>1,006</u>
Balance - End of year	<u>470,015</u>	<u>482,093</u>

7 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 \$82,085 (2015 - \$85,822) and is included in salaries and benefits.

8 Commitments

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

	\$
2017	71,834
2018	71,834
2019	74,672
2020	83,184
2021	82,237
Thereafter	<u>219,527</u>
	<u>603,288</u>

9 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 by a Canadian chartered bank, or in highly liquid investments that are readily convertible into known amounts of cash.

Ontario Food Terminal Board

Notes to Financial Statements

March 31, 2016

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

As at March 31, 2016, the following accounts receivable were past due but not impaired:

	30 days \$	60 days \$	90 days \$	Over 90 days \$
Accounts receivable	226,892	155,841	20,677	5,395

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.

	Up to 6 months \$	More than 6 months up to 1 year \$	More than 1 year up to 5 years \$	More than 5 years \$	Total \$
Accounts payable and accrued liabilities	1,371,189	-	-	-	1,371,189
Demand loans	441,266	441,266	3,530,128	10,501,111	14,913,771
	1,812,455	441,266	3,530,128	10,501,111	16,284,960

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.

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 and 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 market rates.

10 Contingencies

From time to time, lawsuits and claims have been brought against the Board, the outcome and ultimate disposition of which are not determinable at this time, and accordingly no provision has been made in these financial statements for any liability that may result. In addition, the Board believes the resulting outcome of current lawsuits and claims would not have a material effect on the financial position or the statement of revenue and expenditures of the Board.