



**Ontario Food Terminal Board
165 the Queensway
Toronto, Ontario
M8Y 1H8**

**Phone: (416) 259-5479 Fax: (416) 259-4303
Email: info@ofb.com Website: www.ofb.com**

63rd Annual Report of the Ontario Food Terminal Board For the Fiscal Year Ending March 31, 2017

The members of the Ontario Food Terminal Board for the 2016/17 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. Larry Kieswetter was appointed as a member of the Board with a term of November 30, 2016 to November 29, 2019.

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 Ontario Food Terminal Board will continue to be self-sustaining to cover all expenses including capital and maintenance expenses. As well as, continue the good work in meeting all ADD provisions and requirements.



The Board had a net income of \$1,088,248 in the 2016/17 fiscal year compared to a net income of \$1,010,460 in 2015/16 fiscal year. The main reason for the slight increase in net income was as a result of higher revenues from rent, cold storage fees, and toll fees at the Terminal. The Board also experienced higher expenses of \$332,389 in the 2016/17 fiscal year compared to the 2015/16 fiscal year resulting from higher salaries expense, electric power prices, amortization and waste removal. The Board continued to have another successful year and has met and exceeded its overall financial revenue targets by \$298,087 which helped to offset the \$332,389 increase in operating expenses when compared to the Board's annual budget. Capital expenditures for the year totaled \$3,018,029.

The volume of fruit and produce distributed through the Terminal for the 2016/17 fiscal year was approximately 1,022,318 tons (2 Billion Pounds), which was an increase of 1.8% from the 2015/16 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 2016/17 fiscal year a success.

Ontario Food Terminal Board

Alison Robertson
Chair

Ontario Food Terminal Board

**Financial Statements
March 31, 2017**



Office of the Auditor General of Ontario
Bureau de la vérificatrice générale de l'Ontario

Independent Auditor's Report

To the Ontario Food Terminal Board
and to the Minister of Agriculture, Food and Rural Affairs
and to the Minister of Finance

I have audited the accompanying financial statements of the Ontario Food Terminal Board, which comprise the statement of financial position as at March 31, 2017, and the statement of revenue and expenditures, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Ontario Food Terminal Board as at March 31, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Susan Klein, CPA, CA, LPA
Assistant Auditor General

Toronto, Ontario
November 22, 2017

20 Dundas Street West
Suite 1530
Toronto, Ontario
M5G 2C2
416-327-2381
fax 416-327-9862
tty 416-327-6123

20 rue Dundas ouest
suite 1530
Toronto (Ontario)
M5G 2C2
416-327-2381
télécopieur 416-327-9862
ats 416-327-6123



**Ontario Food Terminal Board
165 the Queensway
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Email: info@oftb.com Website: www.oftb.com**

November 22, 2017

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 November 22, 2017.


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

Ontario Food Terminal Board
Statement of Financial Position
As at March 31, 2017

	2017 \$	2016 \$
Assets		
Current assets		
Cash	314,539	-
Investments (note 3)	6,222,825	8,209,307
Accounts receivable	570,890	747,773
Prepaid expenses and supplies	70,358	77,852
	<u>7,178,712</u>	<u>9,034,732</u>
Capital assets (note 4)	<u>34,762,835</u>	<u>33,469,555</u>
	<u>41,941,547</u>	<u>42,504,287</u>
Liabilities		
Current liabilities		
Bank indebtedness (note 5)	-	570,080
Demand loans (note 5)	13,887,508	14,813,771
Accounts payable and accrued liabilities	1,225,030	1,371,189
Deferred revenue	810,840	687,049
	<u>15,903,179</u>	<u>17,542,089</u>
Deferred capital contributions (note 6)	<u>457,937</u>	<u>470,015</u>
	<u>16,361,116</u>	<u>18,012,104</u>
Net Assets		
Net assets invested in capital assets	20,437,390	18,210,769
Unrestricted net assets	<u>5,143,041</u>	<u>6,281,414</u>
	<u>25,580,431</u>	<u>24,492,183</u>
	<u>41,941,547</u>	<u>42,504,287</u>
Commitments (note 8)		

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, 2017

	2017	2016
	\$	\$
Revenue		
Rent	8,662,400	8,417,311
Cold storage	2,438,389	2,298,949
Toll fees	717,926	696,696
Buyer access tolls	434,504	423,582
Other income	234,019	240,543
	<u>12,487,238</u>	<u>12,077,061</u>
Expenditures		
Salaries and benefits (note 7)	3,113,754	3,095,012
Electric power	2,377,679	2,171,690
Amortization	1,724,749	1,571,700
Waste removal	1,424,381	1,372,554
Realty and business taxes	792,669	798,895
Repairs and maintenance	544,165	534,369
Interest	422,699	454,119
Insurance	324,014	322,154
Operating supplies and expense	165,025	137,999
Fuel	105,615	103,433
Miscellaneous contract services	102,468	96,320
Office	87,796	93,349
Rent - hydro land	65,914	61,747
Board members' fees and expenses	48,030	59,200
Water	52,165	45,251
Legal services	41,210	99,178
Miscellaneous	6,657	49,631
	<u>11,398,990</u>	<u>11,066,601</u>
Excess of revenue over expenditures for the year	<u>1,088,248</u>	<u>1,010,460</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, 2017

	2017		
	Invested in capital assets \$	Unrestricted \$	Total \$
Net assets - Beginning of year	18,210,769	6,281,414	24,492,183
Excess (deficiency) of revenue over expenditures for the year	(1,724,749)	2,812,997	1,088,248
Invested in capital assets	3,018,029	(3,018,029)	-
Interfund transfer	12,078	(12,078)	-
Repayment of demand loans invested in capital assets	921,262	(921,262)	-
Net assets - End of year	20,437,389	5,143,042	25,580,431
	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

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, 2017

	2017 \$	2016 \$
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenditures for the year	1,088,248	1,010,460
Adjustments to reconcile excess of revenue over expenditures to cash provided by operating activities		
Amortization of capital assets	1,724,749	1,571,700
Amortization of deferred capital contributions related to capital assets	(12,078)	(12,078)
Changes in non-cash working capital balances		
Accounts receivable	176,783	34,640
Prepaid expenses and supplies	7,294	3,383
Accounts payable and accrued liabilities	(146,159)	(343,457)
Deferred revenue	123,591	(37,295)
	<u>2,962,428</u>	<u>2,227,353</u>
Investing activities		
Purchase of investments	(7,219,075)	(8,209,307)
Proceeds from sale of investments	9,205,557	8,062,329
	<u>1,986,482</u>	<u>(146,978)</u>
Capital activities		
Purchase of capital assets	(3,018,029)	(4,947,385)
Financing activities		
Additional borrowings on demand loans	-	2,233,616
Repayment of demand loans	(1,046,262)	(824,278)
Bank indebtedness	(570,080)	570,080
	<u>(1,616,342)</u>	<u>1,979,418</u>
Increase (decrease) in cash during the year	314,539	(887,592)
Cash - Beginning of year	-	887,592
Cash - End of year	314,539	-

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

Ontario Food Terminal Board

Notes to Financial Statements

March 31, 2017

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 prepared by management in accordance with Canadian public sector accounting standards (PSAS) for government, including the standards that apply to government not-for-profit organizations.

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

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, 2017

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 bank indebtedness, 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, 2017

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 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

	2017 \$	2016 \$
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
Bank of Montreal, 1.10% GIC, due on November 9, 2017	5,222,825	-
Bank of Montreal, 1.05% GIC, due on May 1, 2017	1,000,000	-
	<u>6,222,825</u>	<u>8,209,307</u>

4 Capital assets

	2017		
	Cost \$	Accumulated amortization \$	Net \$
Land	275,604	-	275,604
Land improvements	2,118,348	1,784,132	334,216
Buildings	43,326,993	16,101,711	27,225,282
Equipment	5,958,651	2,309,950	3,648,701
Parking deck and retaining wall	6,737,337	4,704,344	2,032,993
Construction-in-progress	1,246,039	-	1,246,039
	<u>59,662,972</u>	<u>24,900,137</u>	<u>34,762,835</u>
	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	4,653,789	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>

Ontario Food Terminal Board

Notes to Financial Statements

March 31, 2017

During the year, \$2,198,899 of fully amortized assets (2016 - \$nil) were written off as they were no longer in use.

During the year, \$4,371,927 (2016 - \$2,082,653) was transferred from construction-in-progress, to buildings in the amount of \$4,158,495 (2016 - \$1,035,523) and to equipment in the amount of \$213,432 (2016 - \$1,047,130).

5 Demand loans

Demand loans comprise the following:

	2017 \$	2016 \$
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	3,266,714	3,559,250
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	8,823,615	9,352,218
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	1,777,180	1,877,303
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>13,867,509</u>	<u>14,913,771</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, 2017, the Board had no borrowings outstanding under this facility (2016 - \$nil).

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, 2017, there were externally imposed debt covenants with respect to the Board's external bank loans. All covenants were complied with as at March 31, 2017.

Ontario Food Terminal Board

Notes to Financial Statements

March 31, 2017

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 and is included in other income in the statement of revenue and expenditures.

	2017 \$	2016 \$
Balance - Beginning of year	470,015	482,093
Less: Amortization to revenue during the year	12,078	12,078
Balance - End of year	<u>457,937</u>	<u>470,015</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 \$83,403 (2016 - \$82,085) and is included in salaries and benefits.

8 Commitments

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

	\$
2018	71,834
2019	74,672
2020	83,184
2021	82,237
2022	79,828
Thereafter	<u>139,699</u>
	<u>531,454</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

Ontario Food Terminal Board

Notes to Financial Statements

March 31, 2017

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 the fact management believes the Board has thorough and rigorous credit approval procedures.

As at March 31, 2017, the following accounts receivable were past due but not impaired:

	30 days \$	60 days \$	90 days \$	Over 90 days \$
Accounts receivable	150,216	32,724	5,693	594

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.

The table below is a maturity analysis of the Board's financial liabilities at March 31, 2017:

	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	1,225,030	-	-	-	1,225,030
Demand loans	441,264	441,264	3,530,112	9,454,869	13,867,509
	<u>1,666,294</u>	<u>441,264</u>	<u>3,530,112</u>	<u>9,454,869</u>	<u>15,092,539</u>

Demand loans maturity analysis above represents 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 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.