



NOVA SCOTIA
FARM LOAN BOARD

2020-2021

Annual Report

Nova Scotia FARM
Loan Board

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Nova Scotia Farm Loan Board Annual Report
2020-2021

Nova Scotia Farm Loan Board
November 2021

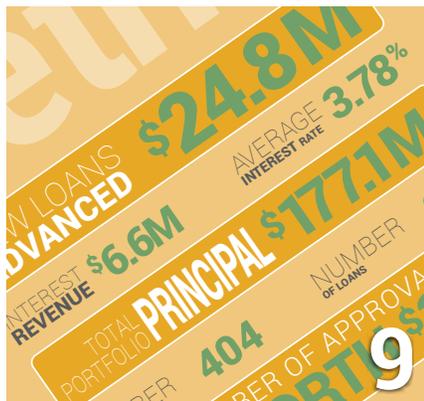
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Message from the Board Chair



In my first message as Chair of the Nova Scotia Farm Loan Board (FLB), and on behalf of my fellow board directors, I would like to thank Andy Vermeulen for taking on the role of Acting Board Chair from 2018 to 2021. Andy's leadership has seen pivotal changes in the FLB operations including the modernization of the boards regulations, that have allowed the staff and FLB to adapt lending policies to meet a changing agriculture industry. I would also welcome new Board director, Jack Hamilton. These volunteer positions are the backbone of the organization, and directors act as stewards over the provincial investment of the \$200 million portfolio.

A truly Nova Scotian organization, our Board directors come from the private sector and are community and business leaders in the province. All decisions are made here in Nova Scotia, under our leadership and this local approach continues to resonate in the marketplace. With a deep understanding of the sector and a drive to stay up to date on industry trends, the board's strategic priorities

and policies work to create economic growth while aligning with our risk appetite. As a self-sustaining Crown Corporation, we take pride in our operations serving the agriculture sector as a trusted lending partner for over 100 years.

The FLB lends for projects that support Nova Scotia agriculture. These projects range from primary production, food operations and agribusinesses that value add or feed into the agriculture value chain. With projects in every region of the province and over 110 loans and \$24.8 million dollars in 2020-21, the FLB's impact on the rural economy is clear. Embracing modernized regulations for the Timber Loan Board, the board looks forward to increasing our support to this industry with dedicated lending programs for this sector.

Farmers and agri-businesses have had a tough few years with frosts, hurricanes, and now the pandemic. COVID-19 has highlighted the necessity of our local food system and the need for the Province to further develop buy local initiatives, creating safe foods for Nova Scotians as well as growing our economy. The Nova Scotia Farm Loan Board looks forward to supporting these initiatives, and to continue to help agriculture and forestry businesses navigate the future.

Danny Phinney
Chair, Farm Loan Board



Message from the CEO



The 2020-21 year has been a year that the Nova Scotia Farm Loan Board (FLB) has shown its steadfast commitment to agriculture and our organization's ability to respond to our client's changing business requirements effectively and efficiently, at a pace not seen before. Often thought of as the "slow lender", the FLB has seen an exponential increase in lending, launching new programs to help our clients navigate COVID-19 while maintaining service levels to clients.

Our response to the COVID-19 pandemic was swift, and we were proud to be part of the Province's response, rolling out a payment deferral program on April 1, 2020. Personal phone calls to every client tailored the program to individual business needs and left over \$7.5 million dollars in the hands of our agriculture industry. COVID-19 Working Capital and Temporary Foreign Worker loan programs were launched with streamlined applications.

The FLB continues to adapt, and our role in the Nova Scotia Clean Technology for Agriculture Program that was launched this year highlights this. The program will help farmers, food producers and processors improve their operations to lower their carbon

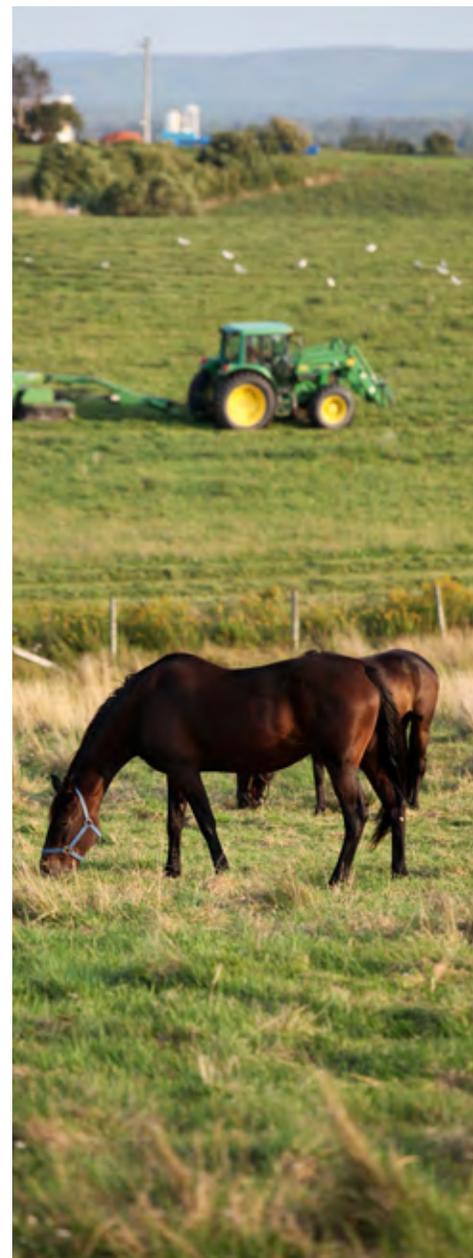
footprint, utilize modern, greener technologies, extend growing seasons, and improve production costs. Farmers financing with the FLB can access funding to cover up to two years of interest on their loans, allowing them to reduce borrowing costs while they implement these important initiatives.

Responding to a need from the forestry sector, the FLB was pleased to have modernized regulations for the Timber Loan Board in 2020. New regulations mean forestry companies can better develop and adapt their businesses with easier access to capital. The goal is to provide flexible lending solutions to Nova Scotia's forestry businesses, and assist with the development, innovation and change in a sustainable forest industry.

Internally, we continue to work on implementation of a new loan management system to offer increased flexibility and continue to respond to the changing needs of industry. Staff remain committed to a continuous improvement culture to offer a simplified lending process for clients, while ensuring that success of our clients comes first.

I would like to recognize the commitment of my staff to support each other while serving their clients and industry, adapting with minimal notice to meet changing public health requirements, the successes of this year would not be possible without each of them. We will continue to look for new ways to provide the support that agriculture and forestry businesses need during this challenging time in a safe and timely manner.

Jennifer Thompson, CEO,
Farm Loan Board





Board of Directors

The FLB has an industry-based Board of Directors that are active in their businesses and communities to provide leadership and direction. Board directors offer valuable insight into industry while shaping the strategic direction of the organization.

Danny Phinney Chair

Danny has over 20 years of experience as a partner of Phinneyval Farms, a dairy farm in Annapolis County, and managed the operation until its sale in 2017. A graduate of the Nova Scotia Agricultural College, Danny has been involved in the Agriculture throughout his career and now serves on several boards to support the industry. Danny is the current president of the Annapolis County 4-H Leader Council and has served as a Director and as President of the West Nova Holstein Club, and is a Director on the Nova Scotia Provincial Exhibition Association, representing the Farm Loan Board. Danny is also serving as President on the Board of Directors of the Annapolis County Trails Society as well as the current treasurer of the Annapolis Valley Trails Coalition.

Andrew Vermeulen Vice-Chair

Andy has been raised in the farming industry, successfully operating multiple farming companies for over 40 years. As owner of Vermeulen Farms Ltd., Andy has gained considerable experience in financial accounting, strategic business and succession planning, sales, production, and food safety. In addition to his employment background, Andy's education includes a Bachelor of Science in Agricultural Engineering and completion of the Canadian Total Excellence in Agricultural Management program from the George Morris Centre in 2012. Andy currently holds multiple positions on numerous boards and committees, offering expertise in board structure and operations.

William G. Versteeg Director

Willy has extensive experience in the Nova Scotia agriculture industry, having owned and operated Barneybrook Farms Ltd (Dairy) for 27 years in the community of Hardwoodlands in



East Hants. Willy is a corporate and community leader and has held many leadership roles including Municipal Counselor, President of the Nova Scotia Federation of Agriculture, Director of the Canadian Federation of Agriculture, and Chair and Vice Chair of the Farmers Dairy Audit Committee. Willy's interest as a Director has been in the areas of audit and governance and growing the portfolio. Willy will tell you that the Nova Scotia Farm Loan Board is a critically important tool in the development of agriculture, fostering greater food sustainability and growing the economy of Nova Scotia.

Steve Brown Director

Steve has been involved in the forestry industry for decades in many capacities, including as a former Forestry Supervisor with the Nova Scotia Department of Natural Resources, as a grower and seller of Christmas trees and firewood, as well as a woodlot owner. Steve has had experience in various leadership roles including serving on the Board of Directors for the North Nova Forest Owners, and on the Primary Forest Products Board. Steve is also knowledgeable on the Agriculture industry, with a specific interest in industries near his home in Bass River, such as the blueberry, cranberry, strawberry, and maple syrup. Steve has been an active member of the Bass River Fire department for over 40 years and is proud to be completing his second term on the FLB supporting both the Agriculture and Forestry industries.

Dianne Kelderman Director

Dianne has extensive experience in the agriculture industry. Dianne has worked in the co-operative sector for more than twenty years, working alongside several agriculture businesses. With a Master's in Economics, she has significant knowledge and experience in business analysis and financing. Dianne has served on many provincial, regional, and national boards, including several crown corporations.



Dianne feels the agriculture industry is a backbone industry for the Nova Scotia economy and a significant contributor to the provincial Gross Domestic Product. Agriculture is critically important to our food, food access and security, and to our environment and touches many other industries such as transportation, processing and production, export, technology, research, and science. Dianne takes pleasure in serving on the FLB.

Caleb Wood Director

Caleb has a strong background in agriculture as he grew up on a mixed family farm in South Western Nova Scotia. Caleb has a Bachelor of Commerce and is a Chartered Professional Accountant. Caleb has extensive leadership, financial reporting, treasury management and operational experience in a wide range of industries and offers strong financial management and accountability experience to the Board. Caleb is pleased to serve on the Board and help grow the agriculture and forestry industries in Nova Scotia through responsible lending.

Jack Hamilton Director

Jack grew up in western Canada on a commercial beekeeping operation. Jack graduated from the University of Saskatchewan with a Diploma in Agriculture and worked for one year in Alberta as a land appraisal adjuster for Alberta Municipal Affairs. The rest of Jack's life has been dedicated to working Honeybees commercially. Jack moved to Nova Scotia approximately 30 years ago to manage a Honeybee operation for a large wild blueberry grower. Jack believes we must have strong financial supports to assist family buyouts, orderly transfers of family farms, and growth within our agriculture community.



Metrics

NEW LOANS
ADVANCED

\$24.8M

INTEREST
REVENUE **\$6.6M**

AVERAGE
INTEREST RATE **3.78%**

TOTAL
PORTFOLIO

PRINCIPAL \$177.1M

NUMBER
OF CLIENTS

404

NUMBER
OF LOANS

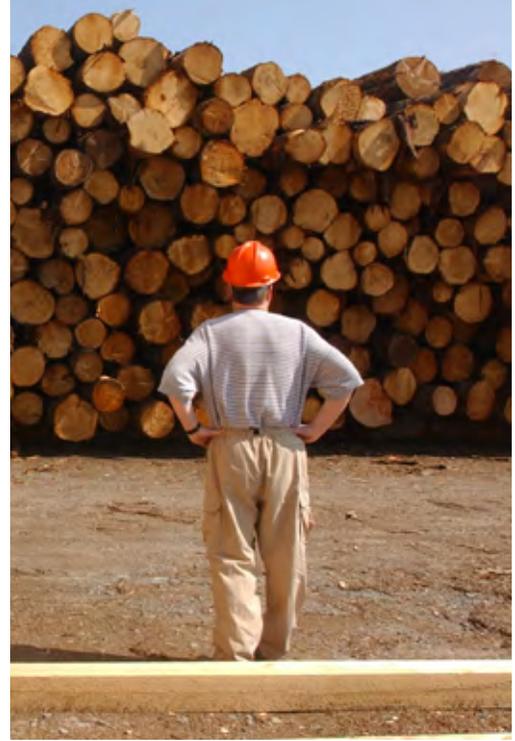
625

NUMBER OF APPROVALS

110 WORTH \$33M



About
the Nova Scotia
FARM Loan Board



Mission

The FLB builds on the success of agriculture in Nova Scotia by providing lending opportunities to expand, grow and innovate.

Vision

To be a lender of choice in the development of agriculture in rural Nova Scotia.

Mandate

The mandate of the FLB is to support the agricultural industry through the provision of capital financing. It operates as a corporation of the Crown under the *Agriculture and Rural Credit Act*. This Act provides authority to the FLB to make loans to, or guarantee loans of, a borrower for acquiring or improving any farm asset, including livestock. Regulations made under the Act govern the terms and conditions of loans provided by the FLB.

Established under the *Forests Act* as the Timber Loan Board (TLB), the FLB also serves the forest industry by providing loans, or guarantee loans of, a borrower for any purpose which will encourage, sustain, improve, or develop the forestry industry in the Province. Regulations of the TLB, which govern terms and conditions of credit provided, are made under the *Forests Act*.



Economic

Landscape



Farm cash receipts

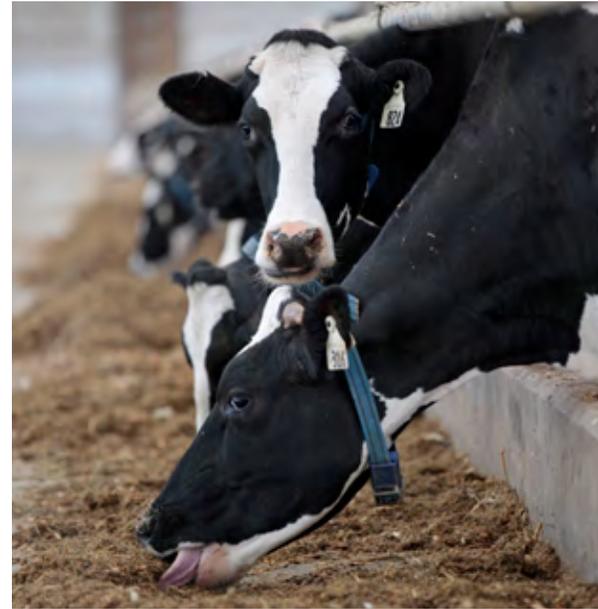
Farm cash receipts fell to \$601 million in 2020 from \$608.6 million in 2019, representing a decrease of \$7.6 million or 1.0%.

Dairy remains the top revenue generating sector in the province at \$150.7 million. The supply managed industries: dairy, poultry (\$103.1 million), and eggs (\$42.5 million), accounting for almost half of farm cash receipts in 2020. On March 31, 2020, 36% of the FLB's outstanding loan principle was in supply managed sectors on March 31, 2021, an increase of 1% over the prior year.

Other major contributors included cannabis (\$53.7 million), fresh field vegetables (\$30.6 million), wild and cultivated fresh blueberries (\$29.8 million), cattle (\$27.0 million), floriculture/nursery products and sod (\$29.2 million), and fresh apples (\$19.9 million).

International trade

Although farm cash receipts fell slightly in Nova Scotia, international agriculture and agri-food exports were up 2% from 2019, reaching \$372.8 million in 2020. Nova Scotia exported agriculture and agri-food products to 70 countries in 2020. In 2020, 47% of Nova Scotia's agriculture and agri-food exports were destined to the





United States in 2020, up 1% from the prior year. Other major export markets in 2020 were: Netherlands (10%), Germany (9%), and China (5%).

At \$151.9 million, wild blueberries remain Nova Scotia's top agri-food export, increasing almost \$12 million over 2019. Other major agri-food export items included grains and pastas (\$46.1 million), various prepared food products (\$33.7 million), fresh, frozen, and processed vegetables (\$26.9 million), and live tree, plant, and flowers (\$21.7 million).

The FLB supports value-add and further processing projects that position Nova Scotian farmers to maximize the value of their products in export markets. The FLB continued to support businesses seeking new markets internationally by investing in apple (\$0.4 million), blueberry (\$2.7 million) and wine farm businesses (\$0.7 million), comprising 15% of the 2020-21 total lending (17 clients, 18 loans).

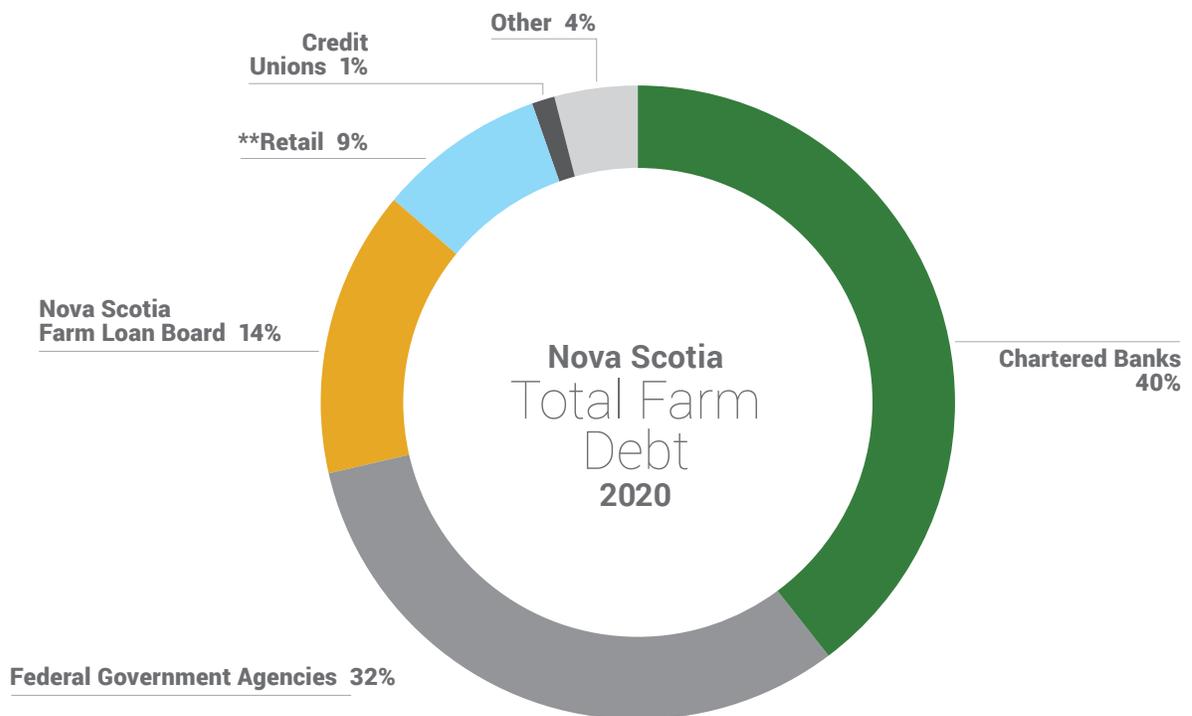
Trends in lending; farm debt outstanding in Nova Scotia

- Nationally, outstanding farm debt has trended upward over the past five years.
- Nova Scotia's total outstanding farm debt in 2020 was \$1.2 billion, or 1% of the national outstanding farm debt.
- According to Statistics Canada, the value of total farm assets in Canada in 2019 rose 4.2% to \$650 billion. Asset values in Nova Scotia rose to \$3.4 billion.
- Farm real estate values rose approximately \$23 billion in 2019, which accounted for 85% of the increase in total Canadian asset values. Farm real estate values in Nova Scotia hit a five-year high of \$1.8 billion, an increase of \$32 million over 2018.



- Overall, higher quota values and year-over-year investment in machinery also contributed to the increase in farm asset values in Nova Scotia. These increases offset decline in breeding livestock assets.

NS Total farm debt, 2020



*The retail category includes credit owed to machinery and finance companies, dealers, stores, and private individuals.

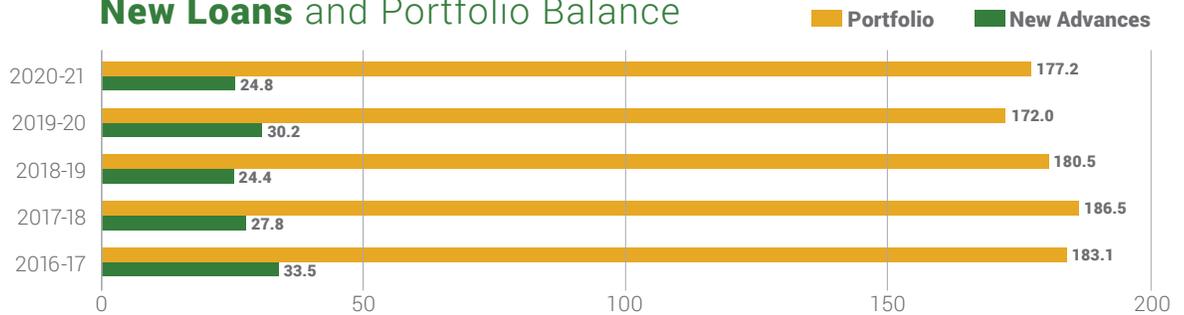


Lending

Highlights

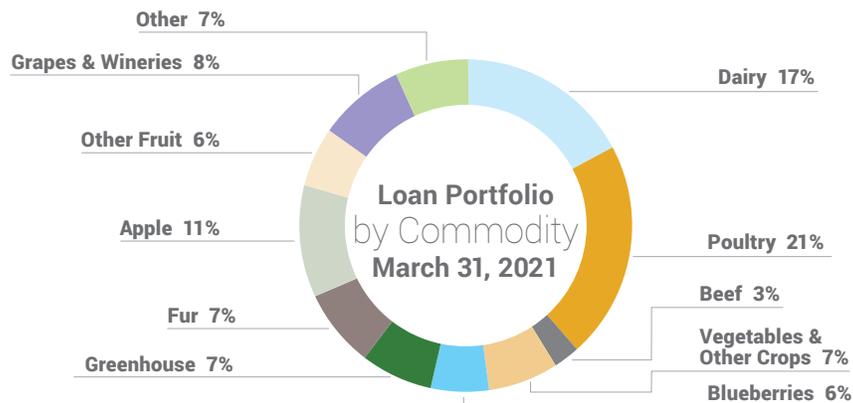


New Loans and Portfolio Balance



The FLB supported the agriculture industry this year with an investment of \$24.8 million in new advances and a total investment of \$177.2 million in 2020-21. The FLB approved 110 new applications, up from 70 last year, with total funds approved of over \$33 million. While new advances were down from the prior year, new approvals increased by almost 30%, and the number of loans approved increased by almost 60%.

The FLB completed a marketing plan in 2020-21 that will assist in promoting the benefits of partnering with the FLB. Rollout of this plan is now underway with plans to reach existing and potential clients through various targeted media buys. On the staffing side, the FLB has also added a Senior Further Processing Specialist who will work to expand the FLB’s reach into the value add and processing sectors ensuring Nova Scotia producers are maximizing the value of their outputs.



Other 2020-21 highlights:

- Number of clients in arrears declined from 88 in 2019-20 to 57 in 2020-21.
- All clients received financial guidance through loans processing as part of the FLB’s regular services and 59 clients received additional special credit counselling.
- Interest rates have remained at or close to historical lows since the onset of the COVID-19 pandemic with some upward indicators toward the end of the 4th quarter.



Farm Loan

Program

The FLB is committed to meeting the needs of industry and to growing businesses by matching clients with viable loans programs and customized solutions based on credit, risk assessment and client need. Loans may range from as low as \$3,000 to multimillion-dollar projects. Although the FLB does not set a maximum value for loans, those over \$5 million require to Executive Council approval.

The FLB offers a suite of lending programs to assist with working capital, land and equipment purchases, and debt refinancing. It also offers several products designed to serve specific lending needs, including long-term development projects such as orchards and grapes, loans for quota and also new entrant support to encourage new commercial farmers to establish farms or to take over farms through succession. The FLB also offers a creditor life insurance program via a partnership with SunLife.

Specialized Lending Products

The FLB has supported the capitalization of rural Nova Scotia businesses with an investment of \$177 million in Nova Scotia farms and farm processing, as outlined in the lending programs below:

- **Fixed Farm Mortgage** – provides long-term stability with a fixed interest rate for the full amortization period of the loan, from 1-25 years.
- **Term Farm Mortgage** – provides three, five, and ten-year term options which balance a competitive interest rate, flexibility, and predictability.
- **Quota Loans** – provides flexibility, as needed, when acquiring quota in Nova Scotia's supply managed commodities, then allows producers to set up either a fixed or term lending solution that best suits the operation.



- **The Farm Debt Consolidator** – provides an opportunity to clean up short-term payables, stagnant operating debt, medium term loans and restructuring long-term debt with other lenders.
- **Deferred Product Options** – available on many of our loan products to provide flexibility in payments at the start of a loan while an operation is in a growth stage.
- **Startup Financing** – product designed for individuals who are new entrants to farming or agri-business. This program is intended to give a new operation a boost to get off to the right start.
- **Equipment Financing** – program provides pre-approvals to access an equipment purchasing line of credit to access financing more quickly than our loan products for acquiring new or used equipment at competitive interest rates.
- **Micro-Loan Program** – assists direct-to-market small scale operations/farms to expand their agricultural businesses through the availability of \$50,000 or less for capital or operating projects.

FLB was pleased to partner with the Department of Agriculture and Dalhousie University with the announcement of the Nova Scotia Clean Technology for Agriculture program. Successful applicants will receive grants for up to two years of interest on FLB loans. This program will help farmers, food producers and processors improve their operations to lower their carbon footprint, utilize modern, greener technologies, extend growing seasons, and improve production costs.

Progress on Goals

Our operational plan includes five goals that have internal operational benefits as well as external lending and customer satisfaction outcomes. These goals were defined in 2018-19 and work has been done annually to continue to prioritize new work under each of these goals.

■ Growing the Rural Economy

This goal considers both how we communicate with clients across Nova Scotia as well as the development and utilization of programs designed to support growth. With a focus on growing our lending portfolio and enhancing our product line, we are committed to growing rural and coastal communities through responsible lending. We continue to provide long-term fixed rate loans to support established farmers and new entrants in the development stage of their business. Provincial investments through FLB loans make Nova Scotia a better and more productive place to harvest, grow and process agricultural products.

In 2020-21 we worked closely with the other provincial agencies to respond to COVID-19 by participating in a provincial payment deferral program in the first quarter of the fiscal year. Approximately half of our clients participated by accepting some form of deferral or alternate payment arrangement to ensure their business had cash on hand to continue operations and support employment in rural Nova Scotia amid heightened uncertainty at the onset of the pandemic. The board also responded to the pandemic by offering working capital loans and temporary foreign worker loans which assisted in ensuring access to labour while being able to adhere public health protocols.

In 2020-21, the FLB extended 110 loan approvals supporting capital purchases,

food production, process improvements and quality improvements with a value of \$33 million.

■ Quality Lending

The FLB has a legacy of excellent client relationships. To maintain our success, we are committed to continuous monitoring of our portfolio's risk, client profiles and client satisfaction. It is also important to the FLB to maintain a balanced portfolio. We look to work not only with the largest producers in the province but also to support new entrants and start-ups with innovative, new developmental projects that have the potential to benefit the industry province wide. This approach allows the FLB to maintain a cost neutral approach over the medium to long term and support industry through downturns caused by pricing fluctuations or natural disasters.

In 2020-21, we continued to invest and promote our services into the value add and processing sector. We also supported innovative farmers and processors in the development of new crops and agri-products. To that end, the FLB added a Senior Further Processing Specialist to do outreach and work closer with agri-food processors in the province. The FLB also worked diligently with special credit clients to help them move to more in-depth financial recovery plans to help get farms back on track. Significant progress was made in moving closer to the FLB's goal of

3% or less of the portfolio in arrears as the rate fell to 3.7% from 5.2% the prior year.

■ **Continuous Improvement**

Streamlining processes between the FLB and the Fisheries and Aquaculture Loan Board remains critical to meeting our goal of reducing loan processing times and making it easier for clients to apply for loans.

A culture of continuous improvement is at the forefront of our work. Staff are working to optimize our services by developing targeted lending for industry by listening to clients and responding to their needs. The board has added two new positions in the past year, a Senior Further Processing Specialist, and a Junior Loan Officer. These front-line positions allow the lending team to effectively continue to service clients and add capacity in the processing and value add sector.

The FLB continued to build and implement new and improved lending programs to be more flexible and responsive to projects of all sizes. In conjunction with other provincial agencies, in 2020-21 the FLB responded by offering a streamlined loan deferral process as part of the response to the COVID-19 pandemic. In addition, work was completed to update and align the regulations of the TLB with both the FLB and Fisheries and Aquaculture Loan Board.

■ **Positioned for Success**

This goal aims to ensure continued success through effective systems and responsiveness to industry changes. The FLB continued to work toward the procurement of a new loan management system to meet and exceed client

expectations regarding service and flexibility. This modernization of our systems and processes is expected to result in greater client satisfaction. Much work was done in 2020-21 to create the necessary procurement, legal, and information technology frameworks to make this possible.

Regular client visits and information sessions were curtailed this year due to the pandemic so we stayed in touch with clients and industry through personal phone calls to each client to discuss how the board might be of assistance. We were proud sponsors of the Minister of Conference and staff took part in many virtual conferences and meetings.

The Nova Scotia Clean Technology in Agriculture program announced in March of this year will give successful applicants up to two years of interest grants for eligible FLB loans. The program is designed to help industry implement new technology that will lower their environmental impact while having an overall positive effect on their business. As the only lender participating in this program, FLB is in the unique position of providing a customized lending tool to help industry address technology changes.

■ **Accountability**

The FLB's reputation of quality and timely work has contributed to its reputation in the industry as a trusted partner. To meet this goal, we continued to review our current systems to determine gaps in client service and satisfaction. In 2019-20 a new loans management system was identified as a key tool to providing improved reporting and client services.

Throughout 2020-21 work has been underway to outline the key procurement, legal, and information technology needs to proceed with replacement of the legacy solution. This year the FLB also identified the need for additional support on both our risk management and legal administration team. Work is now underway to fill these positions in 2021-22.

By regularly visiting clients throughout the province, providing advice, and connecting with industry, our clients can be confident that their loans have been fully analyzed and structured to meet their individual needs when they finance with the FLB. We pride ourselves on excellent client relationships through the delivery of valuable advisory and customer services.

Community Pastures Program

The FLB has eight community pastures located throughout rural Nova Scotia. Developed in the 1950's, the Community Pasture program was designed to help beef farmers keep their costs down by providing grazing land for their animals throughout the summer months.

The pastures have nearly 6,000 acres of land with 3,775 of those acres cleared pastureland. The FLB is proud to keep large pieces of land in our province for agricultural use and to have this land available for farmers. The pastures play a critical role in the development and growth of Nova Scotia's beef sector. The seven pastures currently in operation enable farmers to scale up without the requirement to invest and hold pastureland. Currently, about 10% of Nova Scotia's beef cattle graze on our provincially owned and locally managed community pastures.

In 2020-21, the FLB undertook two projects:

1. Establish a new vision and oversight model

Extensive work was completed to review how community pastures are operated and how their potential could be maximized. This involved interviewing pasture users, key stakeholders, Canada wide jurisdictional review, and interviews with other interested parties. In addition, the consultant was asked to visit each pasture in Nova Scotia and meet with the co-operatives. Key findings from this work were:

1. Each pasture has unique challenges and opportunities. Some common issues facing all pastures: sustaining pasture fertility and maintenance and offering consistent herd management.
2. Board governance and pasture operations rely heavily on the annual support of volunteer hours.
3. Pastures need new strategies to attract new entrants.
4. Most pastures are operating under capacity, with less-than-optimal stocking rates.
5. In the absence of collective action and support, pastures are not able to achieve their full potential.

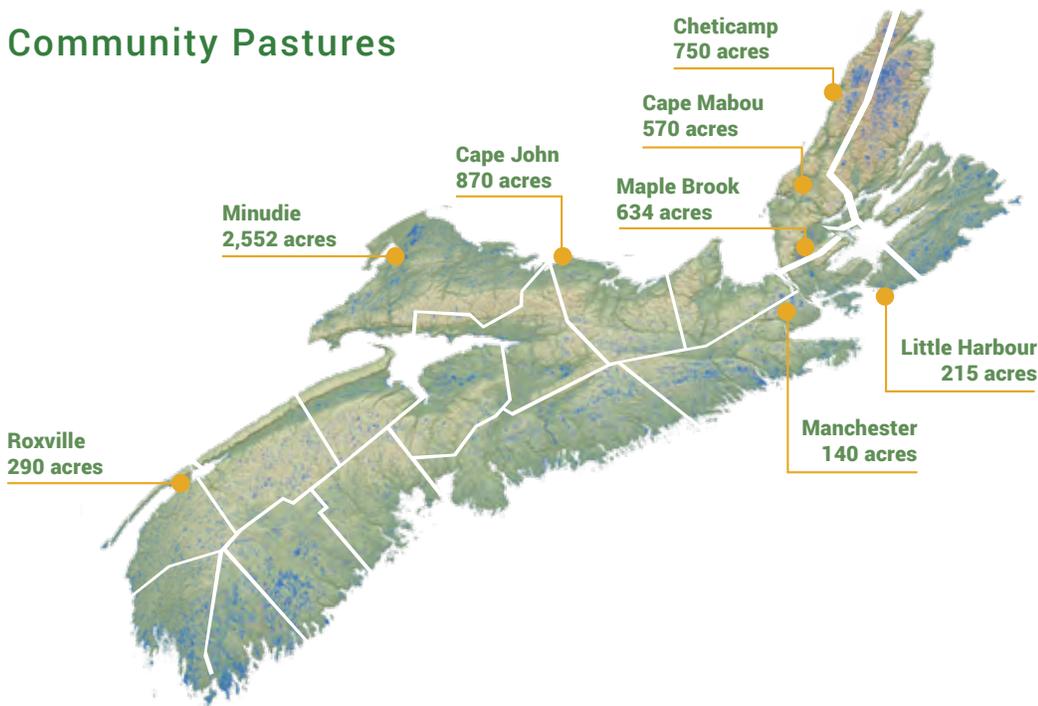
In response to these findings, 19 recommendations have come forward through the consultant's report. The recommendations are aimed at creating both immediate and long-term improvements and benefits for community pastures as leases are developed and renewed.

The FLB has entered into new 10-year lease agreements with the pastures will continue working on the 19 recommendations over the lease terms.

2. Pasture assessments

Assessments provided a review of the current state of each pasture including site assessments, fertility assessment, fertility improvement cost estimates, infrastructure assessments and recommendations (including costs), and estimates of potential stocking rates. This data was used to calculate the return on investment for each pasture which formed the basis of some of the recommendations in the vision report described above.

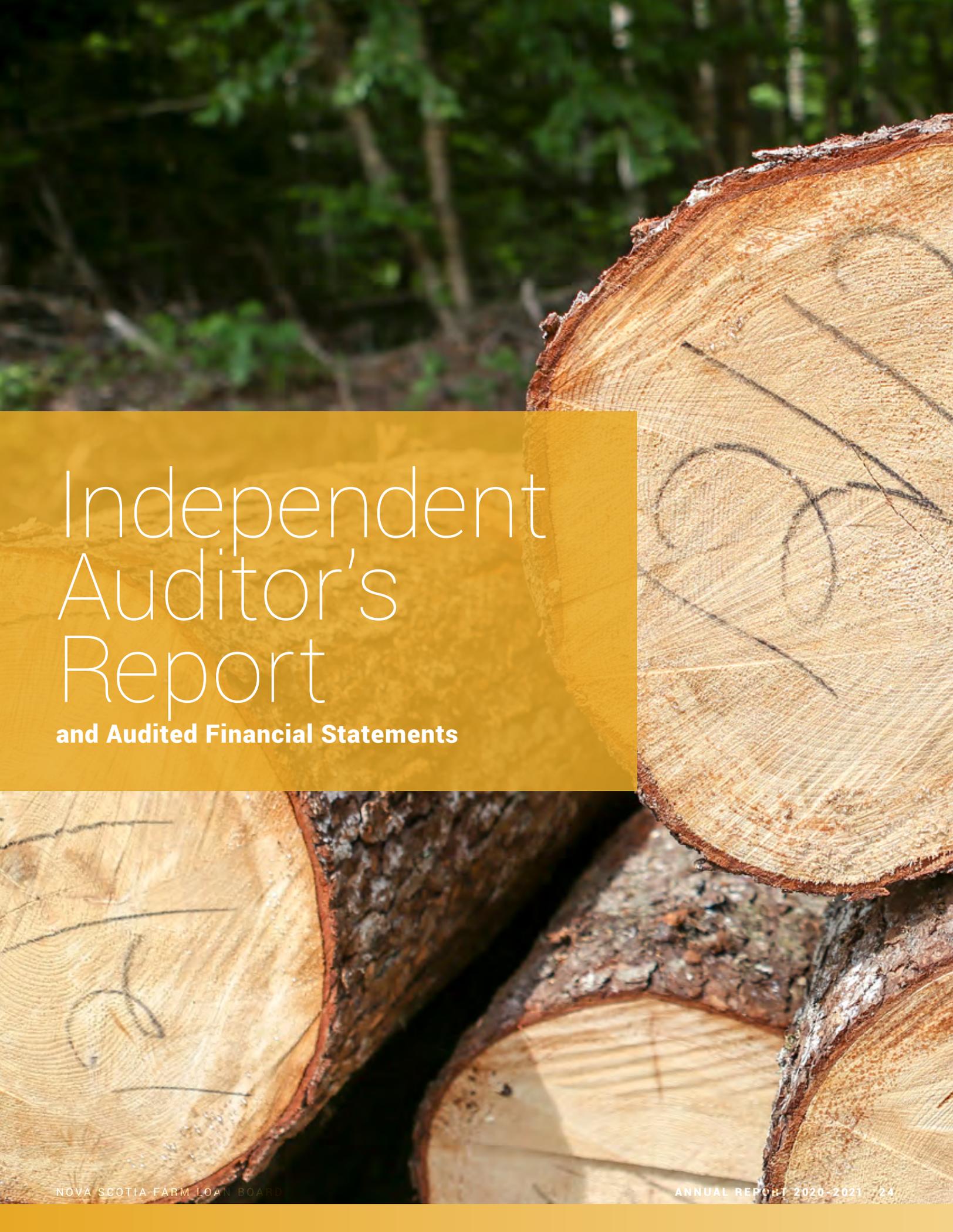
Community Pastures



Timber Loan Board

The operation of the TLB falls under the lending authority of the FLB. The FLB maintains a dedicated seat at the board table for a forestry representative. In 2020-21 the regulations for the TLB were updated and aligned with the sister boards – FLB and the Nova Scotia Fisheries and Aquaculture Loan Board. The regulations were also updated with an eye to modernization to meet the needs of an evolving forestry sector in the province. Work has been completed to make the board more accessible to potential clients including new application forms, a web presence, updated promotional materials, and increased outreach in the sector.

New lending products have been introduced to provide similar long-term financing products as the FLB offers from fixed mortgages for woodlots, land, and buildings to equipment financing (harvesting and processing), to micro loans for small equipment, business planning, consulting, or working capital. In addition, a specific contractor loan program was launched to assist contractors with upgrading or retrofitting their equipment. Work will continue with outreach and promotion of the new modernized offerings of the TLB into the coming year.

The background of the entire page is a photograph of several stacked logs. The logs are cut into sections, showing the light-colored wood grain and the darker bark. Some logs have faint pencil markings on their ends. A semi-transparent yellow rectangular overlay covers the middle-left portion of the image, serving as a background for the title text.

Independent Auditor's Report

and Audited Financial Statements





Financial Statements

Nova Scotia Farm Loan Board

March 31, 2021

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Independent auditor's report

Grant Thornton LLP
Nova Centre, North Tower
Suite 1000, 1675 Grafton Street
Halifax, NS
B3J 0E9

T +1 902 421 1734
F +1 902 420 1068
www.GrantThornton.ca

To the Board of Directors of Nova Scotia Farm Loan Board

Opinion

We have audited the financial statements of Nova Scotia Farm Loan Board (the "Loan Board"), which comprise the statement of financial position as at March 31, 2021, and the statement of operations and accumulated surplus, changes in net debt and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Nova Scotia Farm Loan Board 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

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Board in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Restated Comparative Information

We draw attention to Note 17 to the financial statements, which explains that certain comparative information presented for the March 31, 2020 year ended has been restated. Our opinion is not modified in respect of this matter.

The financial statements for the year ended March 31, 2020, excluding the adjustments that were applied to restate certain comparative information, were audited by another auditor who expressed an unqualified opinion on those financial statements on August 21, 2020.

As part of our audit of the financial statements for the year ended March 31, 2021, we also audited the adjustments applied to restate certain comparative information presented. In our opinion, such adjustments are appropriate and have been properly applied.

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 Loan Board's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Board or to cease operations, or has no realistic alternative to do so.

Those charged with governance are responsible for overseeing the Loan Board'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 Loan Board'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 Tourism'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 Board 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.

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script.

Chartered Professional Accountants

Halifax, Canada
June 23, 2021

Nova Scotia Farm Loan Board

Statement of financial position

March 31 2021 2020
(in thousands of dollars)

Financial assets

Accounts receivable	\$ 15	\$ 21
Interest and other receivables, net (Note 4)	1,589	1,725
Loans receivable, net (Note 5)	163,675	159,067
Real estate held for resale (Note 6)	<u>284</u>	<u>320</u>
	<u>165,563</u>	<u>161,133</u>

Liabilities

Due to the Province of Nova Scotia	15	21
Advances from the Province of Nova Scotia (Note 7)	<u>166,240</u>	<u>162,839</u>
	<u>166,255</u>	<u>162,860</u>

Net debt

(692) (1,727)

Non-financial assets

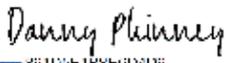
Real estate (Note 8)	<u>692</u>	<u>1,727</u>
	<u>692</u>	<u>1,727</u>

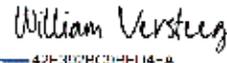
Accumulated surplus

\$ - \$ -

Commitments (Note 15)

On behalf of the Board

DocuSigned by:

42F3B7E0C99F14-A _____ Director

DocuSigned by:

42F3B7E0C99F14-A _____ Director

See accompanying notes to the financial statements.

4

Nova Scotia Farm Loan Board

Statement of operations and accumulated surplus

Year ended March 31	Budget 2021	2021	2020 Restated (Note 17)
(in thousands of dollars)			
Revenues			
Interest on loans	\$ 6,328	\$ 6,590	\$ 6,416
Loan processing and other fees	231	209	174
Life insurance program revenue, net	<u>22</u>	<u>11</u>	<u>18</u>
	<u>6,581</u>	<u>6,810</u>	<u>6,608</u>
Expenses			
Lending expenses (Note 9)	<u>5,811</u>	<u>7,068</u>	<u>10,864</u>
	<u>5,811</u>	<u>7,068</u>	<u>10,864</u>
Annual surplus before distributions from the Province of Nova Scotia	770	(258)	(4,256)
Contributions from (distributions to) the Province of Nova Scotia	<u>(770)</u>	<u>258</u>	<u>4,256</u>
Annual surplus for the year and Accumulated surplus – Beginning and End of year	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

See accompanying notes to the financial statements.

5

Nova Scotia Farm Loan Board

Statement of changes in net debt

Year ended March 31
(in thousands of dollars)

	2021	2020
Net surplus	\$ -	\$ -
Net change in real estate held	<u>1,035</u>	<u>1,365</u>
Net debt		
Beginning of year	<u>(1,727)</u>	<u>(3,092)</u>
End of year	\$ <u>(692)</u>	\$ <u>(1,727)</u>

See accompanying notes to the financial statements.

6

Nova Scotia Farm Loan Board Statement of cash flows

March 31 2021 2020
(in thousands of dollars)

Net increase (decrease) in cash and cash equivalents

Operating

Annual and accumulated surplus	\$ -	\$ -
Net charges (credits) to operations not involving cash		
Valuation allowance for impaired loans (including real estate held for resale)	2,308	5,973
Valuation allowance for real estate	(2)	(77)
Valuation allowance for interest	(416)	5
	<u>1,890</u>	<u>5,901</u>
Net change in non-cash operating working capital balances related to operations		
Decrease in accounts receivable	6	10
Decrease in interest and other receivables	552	161
Decrease in due to the Province of Nova Scotia, net	(6)	(10)
	<u>2,442</u>	<u>6,062</u>

Financing activities

Increase (decrease) in advances from the Province of Nova Scotia, net	<u>3,401</u>	<u>(2,787)</u>
--	--------------	----------------

Investing activities

Increase in loans receivable (including real estate held for resale), net	<u>(5,843)</u>	<u>(3,275)</u>
--	----------------	----------------

Net change in cash and cash equivalents	<u>-</u>	<u>-</u>
Cash and cash equivalents, beginning of year	<u>-</u>	<u>-</u>
End of year	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to the financial statements.

7

Nova Scotia Farm Loan Board

Notes to the financial statements

March 31, 2021
(in thousands of dollars)

1. Nature of operations

Authority

Nova Scotia Farm Loan Board (the "Loan Board") provides loans to the agriculture and forestry sector for farms operating in rural Nova Scotia.

The Board is a provincial agency and operates under the authority of the Agriculture and Rural Credit Act and the Forests Act (for timber loans).

Principal in loans outstanding is limited by regulation to \$200 million. Maximum advances to be disbursed in any given year, are established through the annual budgeting process. For the year ended March 31, 2021, new advances were \$24,791 (2020 - \$30,161). During the year, the Loan Board received repayments of loan principal of \$21,108 (2020 - \$34,580).

Loans in excess of \$5 million and any loan write-offs require approval by Governor in Council.

2. Capital management

As an agency of the Province of Nova Scotia, the Loan Board does not maintain its own capital. Operations are funded by contributions from the Province.

3. Summary of significant accounting policies

Basis of accounting

These financial statements have been prepared by management by applying the principles of the Chartered Professional Accountants of Canada Public Sector Accounting Standards for other government organizations as defined by the Canadian Public Sector Accounting Board, which sets out generally accepted accounting principles for government organizations.

Restricted cash and accounts receivable

The Loan Board operates as an agency of the Province of Nova Scotia. All cash is received and disbursed through accounts managed centrally by the Province.

Accounts receivable reported consists of funds held by Sun Life Assurance Company of Canada in relation to the Loan Board's Creditor Group Life Insurance Program.

Loans receivable

Loans receivable are the principal portion of loans outstanding, net of the valuation allowance for loan impairment.

Loans are classified as impaired when, in management's opinion, there is no longer reasonable assurance of the timely collection of the full amount of principal and interest.

Nova Scotia Farm Loan Board

Notes to the financial statements

March 31, 2021
(in thousands of dollars)

3. Summary of significant accounting policies (continued)

Valuation for loan impairment

The valuation allowance for loan impairment represents management's best estimate of losses due to impaired loans in the Loan Board's portfolio. The valuation allowance is determined based on management's identification and evaluation of the problem accounts and estimated losses that exist in the portfolio. These judgments are influenced by the composition and quality of the portfolio, general economic conditions and conditions affecting specific commodities, as well as the Loan Board policy to act as a patient lender, providing additional time for repayment where full future repayment appears reasonable.

The Loan Board records a specific valuation allowance based on a loan-by-loan review. Impaired loans are valued at the lower of their recorded investment or the estimated net recoverable value of their underlying security.

In addition, the Loan Board records a collective valuation allowance for loans in the portfolio not assessed in the specific reserve. This is an estimate of incurred but unidentified losses based on a review of historic loan write-offs on an industry sector basis.

Real estate

Real estate acquired through foreclosure is initially recorded at the lower of the recorded investment in the foreclosed loan and the estimated fair value based on the resale value of the security held, less disposal costs.

Net operating costs incurred on real estate are added to the carrying value of the property. The related provision is used to adjust the carrying value to net recoverable value, resulting in inclusion of these costs in bad debt expenses if the carrying value exceeds net recoverable value.

The Loan Board also holds land purchased under a Provincial "Landbank" program. This program has ceased; however, existing properties and leases continue with renewable five-year terms. Property acquired under this program is valued at the lower of cost and recoverable amount. Lease clients are entitled to purchase the related property at its original purchase cost.

Revenue recognition

Interest income is recorded on an accrual basis until such time as a loan is classified as impaired. The loan reverts to an accrual status when all provisions for impairment are reversed and the ultimate collection of the principal and interest is likely.

All loan related fees are reported as revenue in the period in which they were earned.

Government transfers are recognized as revenue when the transfer is authorized, any eligibility criteria are met, and reasonable estimates of the amounts can be made.

Nova Scotia Farm Loan Board

Notes to the financial statements

March 31, 2021
(in thousands of dollars)

3. Summary of significant accounting policies (continued)

Measurement uncertainty

Uncertainty in the determination of the amount at which an item is recorded in the financial statements is known as measurement uncertainty. Many items are measured using management's best estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action and are reviewed annually to reflect new information as it becomes available with adjustments made to the annual surplus or deficit as appropriate. Uncertainty exists whenever estimates are used because it is reasonably possible that there could be a material difference between the recognized amount and another reasonably possible amount.

Measurement uncertainty exists in the accruals for such items as health and retirement obligations. The nature of the uncertainty in the accruals for pension and retirement obligations arises because actual results may differ significantly from Tourism's various assumptions about plan members and economic conditions in the marketplace.

Financial instruments

The Loan Board applies Handbook Section PS3450 "Financial Instruments" and is required to designate its financial instruments into one of the following two categories: (i) fair value; or (ii) cost or amortized cost. All of the Board's financial instruments are measured at amortized cost using the effective interest method.

The Loan Board's financial instruments consist of accounts receivable, interest and other receivables, loans receivable, due to the Province of Nova Scotia and advances from the Province of Nova Scotia and are measured at amortized cost using the effective interest method.

Management estimates

PSAS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. By their nature, as described further in note 5b, these estimates are subject to measurement uncertainty and any changes in those estimates could have material impact on the results of future period financial statements.

Remeasurement gains and losses

Under PSAS, the Loan Board is required to present a statement of remeasurement gains and losses. As the Board has no remeasurement gains and losses, a statement of remeasurement gains and losses has not been presented.

Nova Scotia Farm Loan Board

Notes to the financial statements

March 31, 2021
(in thousands of dollars)

4. Interest and other receivables, net	<u>2021</u>	<u>2020</u>
Interest receivable	\$ 1,954	\$ 2,613
Accrued interest	1,224	1,153
Other charges	<u>32</u>	<u>60</u>
	3,210	3,826
Less: valuation allowance for interest on impaired loans	106	522
valuation allowance on real estate	<u>1,515</u>	<u>1,579</u>
	\$ 1,589	\$ 1,725

5. Loans receivable

a) Loans receivable, net

The following schedule sets out the scheduled maturities of the principal balances of the financial assets as at March 31, 2021, together with the weighted average interest rates being earned on the financial assets.

	<u>Under</u> <u>1 year</u>	<u>1-5 years</u>	<u>Over</u> <u>5 years</u>	<u>2021</u> <u>Total</u>	<u>2020</u> <u>Total</u>
Performing loans					
Farm loans	\$ 10,226	\$ 34,120	\$ 106,352	\$ 150,698	\$ 144,958
Average effective annual interest rate	3.66%	3.71%	3.81%	3.78%	4.03%
Add: impaired loans				<u>26,480</u>	<u>27,001</u>
Total loans				177,178	171,959
Less: valuation allowance for loan impairment				<u>(13,503)</u>	<u>(12,892)</u>
				\$ 163,675	\$ 159,067

b) Allowance for impaired loans

Loans are considered impaired when they are risk rated as substandard or worse or when the loan is more than 90 days in arrears at year end and there is insufficient collateral security valued at forced sale to cover the balance outstanding. The allowance is comprised of two components, the specific allowance for individually identified impaired loans and a collective allowance for unidentified impaired loans.

Nova Scotia Farm Loan Board

Notes to the financial statements

March 31, 2021
(in thousands of dollars)

5. Loans receivable (continued)

b) Allowance for impaired loans (continued)

The specific allowance for individually identified impaired loans was established based upon a review of impaired loans. Primary factors considered in estimating the specific allowance on individual loans were the security pledged and the financial condition of the borrower and/or, where applicable, guarantors.

The collective allowance for unidentified impaired loans is management's best estimate of the loss that is likely to be experienced on impaired loans that were not known to be impaired at the year end. The collective allowance was determined based on management's judgment and recent experience by calculating the average estimated historical loss ratio by loan type and then applying these ratios to the current portfolio of unimpaired loans.

	<u>2021</u>		<u>2020</u>	
	Impaired loans	Allowance for impairment	Impaired loans	Allowance for impairment
Specific allowance	\$ 26,480	\$ 11,394	\$ 27,001	11,138
Collective allowance	<u>-</u>	<u>2,109</u>	<u>-</u>	<u>1,754</u>
	<u>\$ 26,480</u>	<u>\$ 13,503</u>	<u>\$ 27,001</u>	<u>\$ 12,892</u>

Significant judgement was exercised by management in making these estimates. As such, actual losses that occur on loans outstanding at March 31, 2021 will differ from these estimates and the differences could be material.

c) Continuity for allowance for impaired loans

	<u>2021</u>	<u>2020</u>
Allowance for impaired loans – beginning of year	\$ 13,414	\$ 15,067
Add: Valuation allowance for impaired loans	1,934	2,024
Less: Amounts written off	(1,738)	(3,665)
Other adjustments	<u>-</u>	<u>(12)</u>
Allowance for impaired loans – end of year	<u>13,610</u>	<u>13,414</u>
Valuation allowance on principal	13,503	12,892
Valuation allowance on interest	<u>107</u>	<u>522</u>
	<u>\$ 13,610</u>	<u>\$ 13,414</u>

Nova Scotia Farm Loan Board

Notes to the financial statements

March 31, 2021
(in thousands of dollars)

5. Loans receivable (continued)

d) Loans past due but not impaired

A loan is considered past due when a counterparty has not made a payment by the contractual due date. The following table presents the carrying value of loans that are past due but not classified as impaired because they either (i) have a strong risk rating; (ii) have an arrears amount less than \$1; or (iii) are fully secured and collection efforts are reasonably expected to result in repayment. Loans that are past due but not impaired are as follows:

1-30 days	31-60 days	61-90 days	91 or more days	2021	2020
\$ -	\$ 39	\$ -	\$ 3,436	\$ 3,475	\$ 18,756

6. Real estate held for resale

The assets held for sale, comprising land, buildings and equipment, have been written-down to estimated recoverable value. Recoverable value was estimated by management, utilizing external appraisals for the land and buildings, based on the expected selling prices, net of estimated closing costs.

Real estate held for resale has been written down from the original loan amounts as follows:

	2021	2020
Original funds advanced	1,722	1,744
Less: valuation allowance for real estate	(1,438)	(1,424)
Real estate held for sale	\$ 284	\$ 320

7. Advances from the Province of Nova Scotia, net

Advances are provided by the Province of Nova Scotia to fund loans issued by the Loan Board. The amortization periods of the advances range from 2 to 30 years. Advances are repayable in quarterly instalments of interest and principal. Interest rates vary from 2.0 % to 6.7% with terms ranging from April 1, 2020 to January 1, 2048. Interest expense is calculated in accordance with a Memorandum of Understanding with the Nova Scotia Department of Finance (Note 10).

Nova Scotia Farm Loan Board Notes to the financial statements

March 31, 2021
(in thousands of dollars)

8. Real estate	<u>2021</u>	<u>2020</u>
Real estate held for long-term use		
Former loan property under lease	\$ 602	\$ 1,626
Land bank	4	15
Property used by community pastures	<u>86</u>	<u>86</u>
	<u>\$ 692</u>	<u>\$ 1,727</u>

The Board has recorded these properties as former loan properties under lease at the lower of the principal loan balance and the assessed value of the property. Subsequently, the Board entered into lease agreements over the properties to allow the loan clients to continue to operate on the properties. The Board has not recorded amortization on these properties. The Loan Board has recognized a recovery of \$2 (2020 - \$77) against this real estate.

9. Lending expenses	Budget	<u>2021</u>	<u>2020</u> Restated (Note 17)
Bad debt expense (Note 11)	\$ 233	\$ 1,890	\$ 5,901
Interest expense (Note 10)	4,700	4,334	4,385
Other	-	28	19
Professional services	-	80	26
Salaries and benefits	698	666	467
Supplies and services	147	60	42
Training and development	-	2	4
Travel	<u>33</u>	<u>8</u>	<u>20</u>
	<u>\$ 5,811</u>	<u>\$ 7,068</u>	<u>\$ 10,864</u>

10. Interest expense

Since April 1, 1998, a Memorandum of Understanding ("MOU") between the Loan Board and the Nova Scotia Department of Finance has formalized the Loan Board's funding arrangement. Under the MOU arrangement, the Loan Board estimates projected lending requirements on a quarterly basis. The Nova Scotia Department of Finance arranges the requested financing for terms requested and provides this financing to the Loan Board at interest rates related to the terms and volumes requested. Funding is maintained to cover the Loan Board's investment in loans receivable and in real estate. The Loan Board tracks the draws arranged with the Nova Scotia Department of Finance and computes the interest cost based on the terms of these draws. Actual financing costs are included as interest costs of the Province.

Nova Scotia Farm Loan Board

Notes to the financial statements

March 31, 2021
(in thousands of dollars)

11. Bad debt expense

Bad debt expense (recovery) includes:

	<u>2021</u>		<u>2020</u>
Allowance for (recovery of) impaired loans	\$ 487	\$	5,234
Impairment of real estate held for resale	989		739
Impairment of (recovery of) real estate	(2)		(77)
Allowance for interest	<u>416</u>		<u>5</u>
	\$ <u>1,890</u>	\$	<u>5,901</u>

12. Financial instruments

Fair value of financial instruments

The Loan Board is exposed to financial risk that arises from the credit quality of the individuals and entities to which it provides loan services. Credit risk arises from the possibility that the individuals and entities to which the Board provides loan services may experience financial difficulty and be unable to fulfill their obligations.

Risk management

Credit risk

The risk that clients may not pay amounts owing on loans and lease accounts, resulting in a loss to the Loan Board, is managed through an initial assessment of the client's ability to pay, and by review and follow-up of delinquent accounts by loan officers. In cases in which the client is unable to make payments, due to cyclical industry or other temporary difficulties, it is the Loan Board's policy to work with the client on an individual basis to provide time for recovery.

The total of loans receivable at March 31, 2021 is 177,178 (2020 - \$171,959). The majority of loans are secured primarily by real property using mortgage or Agreement of Sale (providing rights similar to a mortgage). Dairy and poultry loans are generally also secured by an irrevocable assignment of production quota. Collateral security may also be provided by equipment, livestock or chattels. The maximum exposure to credit risk is the total loans outstanding.

All clients are involved in agriculture in Nova Scotia. Involvement in processing is limited to on-farm processing. Regulations provide that loans must not exceed 90% of security value without approval by the Loan Board. Collateral held for security is assigned a value by the loan officer considering the loan based on known transactions of similar property, with additional information provided by property assessments and external assessments, where available.

The Loan Board adjusts the valuation allowance for impairment to recognize management's estimate of recoveries on impaired accounts. Impairment is primarily identified by review of arrears, refinanced loans and accounts in sectors experiencing difficulty. A total of \$309 (2020 - \$484) was issued in refinanced loans during 2020 - 2021 to clients with significant arrears.

Nova Scotia Farm Loan Board

Notes to the financial statements

March 31, 2021
(in thousands of dollars)

12. Financial instruments (continued)

Liquidity risk

The Province of Nova Scotia provides funding and cash management services to the Loan Board. There is minimal risk that funds will be unavailable to meet lending commitments or payments of other expenses except to the extent of legislative and budgetary limitations on spending authority as identified in Note 1.

Interest rate risk

In order to mitigate the risk that future changes in interest rates may affect net interest revenue, the Board attempts to match terms of loans offered with those of funds drawn through the Province. All loans provide for an optional 10% repayment at any time during each calendar year and an optional full repayment on each 5 year anniversary. Loans may be contracted for the full term of their amortization (from 1 to 30 years) or may be of fixed terms of 3, 5 or 10 years with an amortization period of up to 30 years. Funds drawn through the Province provide for 10% annual and 5-year full optional repayments. A 1% change in interest rates would have a \$1,637 (2020 - \$1,591) impact on interest income and on interest expense.

13. Related party transactions

The Loan Board is related to all other departments, agencies, boards and commissions of the Province of Nova Scotia. The Nova Scotia Department of Finance is the sole source of funding for loans (see Note 1). Transactions with provincial entities were entered into in the normal course of business.

The Province of Nova Scotia pays certain expenses, including rent, building maintenance, computer networks and support, computerized accounting systems and miscellaneous office expenses in relation to building and computer systems, on behalf of the Loan Board with no charge to the Board.

Loans and interest receivable includes \$2,306 (2020 - \$2,505) and interest revenue includes \$97 (2020 - \$97) resulting from outstanding loans to Loan Board members and immediate family of Board members. These loans were issued under normal terms and conditions using market interest rates.

14. Pension and post retirement benefits

All full-time employees of the Loan Board are entitled to receive pension benefits pursuant to the provisions of a pension plan established under the Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The employer's contributions of \$49 (2020 - \$33) are included in the Loan Board's operating expenses. The Public Service Superannuation Fund is administered by the Public Service Superannuation Plan Trustee Inc. and any unfunded liability, as well as other obligations related to post-retirement benefits, are the responsibility of the pension plan. It is not anticipated that any such future costs would be allocated to the Loan Board.

Nova Scotia Farm Loan Board

Notes to the financial statements

March 31, 2021
(in thousands of dollars)

15. Commitments

The Board will hold interest rates for ninety days for any client from the date of loan approval. As of March 31, 2021, the Board has authorized loans of \$19,433 (2020 - \$11,100) which had not been disbursed.

16. Impact of COVID-19

Since December 31, 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses were forced to cease or limit operations for long periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The continued spread of COVID-19 and the actions being taken to limit its spread could adversely impact the Loan Board's operations, including among others, increasing the credit risk and default rates in its loan portfolio, limiting the Loan Board's ability to quickly respond to changes in credit risk and potentially limiting the Loan Board's ability to serve customers. The timing and extent of the economic recovery as vaccines are rolled out and provincial restrictions ease is as of yet unknown. The impact of COVID-19 on our customers may extend beyond the current period as the economy recovers. These could have an adverse impact on the Loan Board's business and financial results.

17. Restatement of prior period financial statements

During the year, management identified that the allocation of common expenses between the Loan Board and the Nova Scotia Fisheries and Aquaculture Loan Board was incorrectly allocated as a result of the use of legacy measurements of relative lending activity levels, which resulted in certain lending expenses being incorrectly under-allocated to the Nova Scotia Fisheries and Aquaculture Loan Board, with a corresponding over-allocation to the Loan Board. As a result, the following financial items as at March 31, 2020, have been increased (decreased) as follows:

	As previously reported	Impact of restatement	Restated
Lending expenses	\$ 12,113	\$ (1,249)	\$ 10,864
Contributions from the Province of Nova Scotia	5,505	(1,249)	4,256
Annual and accumulated surplus – beginning and end of year	-	-	-



**NOVA SCOTIA
FARM LOAN BOARD**

Office Locations

Truro - Head Office

74 Research Drive
Bible Hill
Nova Scotia
B6L 2R2
902-893-6506

Kentville - Field Office

Kentville Agricultural Centre
32 Main Street
Kentville, Nova Scotia
B4N 1J5
902-679-6009

FLBNS@novascotia.ca

novascotia.ca/farmloan