

**COMMUNITY FUTURES CAPITAL REGION**

**Financial Statements**

**Year Ended March 31, 2021**

COMMUNITY FUTURES CAPITAL REGION

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Year Ended March 31, 2021

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## INDEPENDENT AUDITOR'S REPORT

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To the Members of Community Futures Capital Region

### *Opinion*

We have audited the financial statements of Community Futures Capital Region (the company), which comprise the statement of financial position as at March 31, 2021, and the statements of revenues and expenditures, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the company as at March 31, 2021, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

### *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 company in accordance with 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.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with ASNPO, 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 company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the company'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:

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Independent Auditor's Report to the Members of Community Futures Capital Region *(continued)*

- 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company'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 company 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.

Drayton Valley, Alberta  
June 22, 2021

*Carlson Roberts Seely LLP.*

CHARTERED PROFESSIONAL ACCOUNTANTS

**COMMUNITY FUTURES CAPITAL REGION**  
**Statement of Financial Position**  
**March 31, 2021**

	General Fund 2021	Restricted General 2021	Restricted Disabled 2021	Restricted RRRF 2021	Total 2021	Total 2020
<b>ASSETS</b>						
<b>CURRENT</b>						
Cash	\$ 1,153,816	\$ 21,985	\$ 50,748	\$ -	\$ 1,226,549	\$ 340,174
CFLIP investment	-	-	-	-	-	155,188
Accounts receivable (Note 2)	17,568	-	-	-	17,568	39,202
Accrued interest	-	32,851	-	-	32,851	12,291
Prepaid expenses	23,832	-	-	-	23,832	1,879
Inter-fund receivable (Note 4)	-	-	-	998,236	998,236	11,828
Current portion of investment loans receivable (Note 6)	-	225,968	20,390	-	246,358	286,144
	1,195,216	280,804	71,138	998,236	2,545,394	846,706
<b>PROPERTY, PLANT AND EQUIPMENT (Net of accumulated amortization) (Note 5)</b>	350,700	-	-	-	350,700	332,565
<b>LOANS AND NOTES RECEIVABLE (Note 6)</b>	-	1,274,619	87,448	3,216,582	4,578,649	913,541
	\$ 1,545,916	\$ 1,555,423	\$ 158,586	\$ 4,214,818	\$ 7,474,743	\$ 2,092,812

See notes to financial statements

**COMMUNITY FUTURES CAPITAL REGION**  
**Statement of Financial Position**  
**March 31, 2021**

	General Fund 2021	Restricted General 2021	Restricted Disabled 2021	Restricted RRRF 2021	Total 2021	Total 2020
<b>LIABILITIES AND NET ASSETS</b>						
<b>CURRENT</b>						
Accounts payable	\$ 73,297	\$ 2,655	\$ -	\$ -	\$ 75,952	\$ 11,044
Inter-fund payable (Note 4)	953,881	41,232	3,123	-	998,236	11,828
Deferred income (Note 8)	18,248	-	-	-	18,248	24,580
	1,045,426	43,887	3,123	-	1,092,436	47,452
<b>NET ASSETS (Notes 9, 10)</b>	<b>500,490</b>	<b>1,511,536</b>	<b>155,463</b>	<b>4,214,818</b>	<b>6,382,307</b>	<b>2,045,360</b>
	\$ 1,545,916	\$ 1,555,423	\$ 158,586	\$ 4,214,818	\$ 7,474,743	\$ 2,092,812

ON BEHALF OF THE BOARD

 Director  
 Director

See notes to financial statements

**COMMUNITY FUTURES CAPITAL REGION**  
**Statement of Revenues and Expenditures**  
**Year Ended March 31, 2021**

	General Fund 2021	Restricted General 2021	Restricted Disabled 2021	RRRF 2021	Total 2021	Total 2020
<b>REVENUES</b>						
Federal contracts	\$ 453,715	\$ -	\$ -	\$ -	\$ 453,715	\$ 294,963
Investment interest	-	96,556	6,189	-	102,745	67,556
CROP project	52,555	-	-	-	52,555	40,120
Loan fees and cost recoveries	21,074	-	-	-	21,074	19,431
Canada summer jobs grant	7,800	-	-	-	7,800	-
Bank interest	718	938	136	-	1,792	9,587
CFLIP interest	-	1,787	-	-	1,787	4,624
Summer entrepreneurial program	-	-	-	-	-	15,950
Youth entrepreneur development	-	-	-	-	-	8,700
Open farm days	-	-	-	-	-	11,700
Other revenue	-	-	-	-	-	377
	<b>535,862</b>	<b>99,281</b>	<b>6,325</b>	<b>-</b>	<b>641,468</b>	<b>473,008</b>

<b>EXPENSES</b>						
Salaries and benefits	270,319	-	-	-	270,319	218,283
Provision for investment losses	-	70,092	-	-	70,092	28,171
Crop project	48,023	-	-	-	48,023	43,120
Professional, accounting and audit	40,401	-	-	-	40,401	25,237
Advertising and promotion	24,954	-	-	-	24,954	5,752
Office	15,088	-	-	-	15,088	9,064
Amortization	12,249	-	-	-	12,249	11,416
Utilities	11,449	-	-	-	11,449	8,911
Repairs and maintenance	8,924	-	-	-	8,924	7,703
Summer entrepreneurial program expenses	6,500	-	-	-	6,500	5,500
Property taxes	3,797	-	-	-	3,797	3,928
Professional development	3,441	-	-	-	3,441	1,623
Travel	3,150	-	-	-	3,150	4,677
Board member expenses	2,656	-	-	-	2,656	5,790
Insurance	2,386	-	-	-	2,386	2,508
Bank charges and loan costs	858	1,019	-	-	1,877	998
Memberships and dues	969	-	-	-	969	707

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**COMMUNITY FUTURES CAPITAL REGION**  
**Statement of Revenues and Expenditures (continued)**  
**Year Ended March 31, 2021**

	General Fund 2021	Restricted General 2021	Restricted Disabled 2021	RRRF 2021	Total 2021	Total 2020
Sponsorship	300	-	-	-	300	-
Youth entrepreneur development	-	-	-	-	-	16,400
	455,464	71,111	-	-	526,575	399,788
<b>EXCESS OF REVENUES OVER EXPENSES FROM OPERATIONS</b>	80,398	28,170	6,325	-	114,893	73,220
<b>OTHER INCOME</b>						
CFLIP unrealized loss	-	-	-	-	-	(5,356)
CFLIP realized gain	-	7,236	-	-	7,236	-
	-	7,236	-	-	7,236	(5,356)
<b>EXCESS OF REVENUES OVER EXPENSES</b>	\$ 80,398	\$ 35,406	\$ 6,325	\$ -	\$ 122,129	\$ 67,864

See notes to financial statements



**COMMUNITY FUTURES CAPITAL REGION**

**Statement of Changes in Net Assets**

**Year Ended March 31, 2021**

	General Fund 2021	Restricted General 2021	Restricted Disabled 2021	Restricted RRRF 2021	Total 2021	Total 2020
<b>NET ASSETS - BEGINNING OF YEAR</b>	\$ 438,455	\$ 1,457,767	\$ 149,138	\$ -	\$ 2,045,360	\$ 1,977,496
Excess of revenues over expenses	80,398	35,406	6,325	-	122,129	67,864
Contributions during the year	-	-	-	4,214,818	4,214,818	-
Interest transfer reversal	(18,363)	18,363	-	-	-	-
<b>NET ASSETS - END OF YEAR</b>	\$ 500,490	\$ 1,511,536	\$ 155,463	\$ 4,214,818	\$ 6,382,307	\$ 2,045,360

**Breakdown of Net Assets**

**Year Ended March 31, 2021**

	General Fund 2021	Restricted Fund 2021	Restricted Disabled 2021	Restricted RRRF 2021	Total 2021	Total 2020
Original contributions	\$ -	\$ 1,187,500	\$ 200,000	\$ 4,214,818	\$ 5,602,318	\$ 1,387,500
Earned net assets	500,490	324,036	(44,537)	-	779,989	657,860
	\$ 500,490	\$ 1,511,536	\$ 155,463	\$ 4,214,818	\$ 6,382,307	\$ 2,045,360

**COMMUNITY FUTURES CAPITAL REGION**  
**Statement of Cash Flows**  
**Year Ended March 31, 2021**

	General Fund 2021	Restricted General 2021	Restricted Disabled 2021	Restricted RRRF 2021	Total 2021	Total 2020
<b>OPERATING ACTIVITIES</b>						
Excess of revenues over expenses	\$ 80,398	\$ 35,406	\$ 6,325	\$ -	\$ 122,129	\$ 67,864
Items not affecting cash:						
Amortization of property, plant and equipment	12,249	-	-	-	12,249	11,416
Gain on disposal of investments	-	(7,236)	-	-	(7,236)	-
Provision (recovery) for investment losses	-	70,092	-	-	70,092	28,171
Unrealized gain (loss) on investments	-	-	-	-	-	5,356
	92,647	98,262	6,325	-	197,234	112,807
Changes in non-cash working capital:						
Accounts and interest receivable	21,635	(21,521)	564	-	678	(43,048)
Accounts payable	62,252	2,655	-	-	64,907	(3,766)
Deferred income	(6,332)	-	-	-	(6,332)	(16,700)
Prepaid expenses	(21,953)	-	-	-	(21,953)	-
Inter-fund payable (receivable)	943,483	53,060	1,693	(998,236)	-	-
	999,085	34,194	2,257	(998,236)	37,300	(63,514)
Cash flow from (used by) operating activities	1,091,732	132,456	8,582	(998,236)	234,534	49,293
	(30,384)	-	-	-	(30,384)	-
<b>INVESTING ACTIVITIES</b>						
Purchase of property, plant and equipment	-	478,587	12,772	-	491,359	443,229
Repayment of loans and notes receivable	-	(929,795)	(40,000)	(3,216,582)	(4,186,377)	(594,218)
Addition to loans and notes receivable	-	164,212	-	-	164,212	-
Withdrawal of term deposits	-	(1,787)	-	-	(1,787)	(4,623)
Addition to term deposits	-	-	-	-	-	-

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**COMMUNITY FUTURES CAPITAL REGION**

**Statement of Cash Flows (continued)**

**Year Ended March 31, 2021**

	General Fund 2021	Restricted General 2021	Restricted Disabled 2021	Restricted RRRF 2021	Total 2021	Total 2020
Cash flow used by investing activities	(30,384)	(288,783)	(27,228)	(3,216,582)	(3,562,977)	(155,612)
<b>FINANCING ACTIVITIES</b>						
Contributions during the year	-	-	-	4,214,818	4,214,818	-
Interfund transfer	(18,363)	18,363	-	-	-	-
Cash flow from (used by) financing activities	(18,363)	18,363	-	4,214,818	4,214,818	-
<b>INCREASE (DECREASE) IN CASH FLOW</b>	1,042,985	(137,964)	(18,646)	-	886,375	(106,319)
Cash - beginning of year	110,831	159,949	69,394	-	340,174	446,493
<b>CASH - END OF YEAR</b>	\$ 1,153,816	\$ 21,985	\$ 50,748	\$ -	\$ 1,226,549	\$ 340,174

# COMMUNITY FUTURES CAPITAL REGION

## Notes to Financial Statements

Year Ended March 31, 2021

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Organization purpose and basis of presentation

Community Futures Capital Region (the "organization") is a not-for-profit organization incorporated provincially under the Not-for-profit Corporations Act of Alberta. Management has determined that they are exempt from payment of income tax under Section 149(1) of the Income Tax Act.

With the financial support of the Government of Canada, it provides loans and financial services to small businesses otherwise unable to obtain financing, delivers government services and programs related to employment and economic development, provides training and business advisory services, and contributes leadership and expertise in economic development to local communities.

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

#### Fund accounting

Community Futures Capital Region follows the restricted fund method of accounting for contributions.

The General Fund accounts for the organization's equity in capital assets, operating costs, operating grants and general revenues. Project funding is reported as revenue and the related project costs are included in various categories of expense. Cash balances in excess of those required to fund loans approved are retained in the general fund for efficient investment in short term securities. Net transfers of cash appear as inter-fund transfers and the accumulated balance is reflected as inter-fund receivables and payables. Included in the General Fund is the RRRF Operating Fund.

The Loan Investment Funds report restricted resources that are to be used for assistance to small businesses and entrepreneurs in the form of loans, loan guarantees or equity participation. Loans from the Loan Investment Fund for the Disabled are limited to businesses owned and operated by disabled entrepreneurs. The organization is restricted in the types of loans that can be made according to its agreement with the Government of Canada.

The Regional Relief and Recovery Fund (RRRF) report restricted resources that are used to provide financial support directly to small-and-medium sized enterprises to address COVID-19 impacts on rural and remote communities. The organization is restricted in the loan applications that can be approved for the RRRF according to its agreement with the Government of Canada.

#### Recognition of Contributions

Federal contracts and grants are included in revenue in the year in which they are received or become receivable, with the exception that amounts received to fund specific expenditures are included in revenue in the year the funds are expended.

#### Recognition of Other Revenues

Revenue from all other sources is included in revenue in the year in which it is received or becomes receivable.

#### Contributed services

The organization would not be able to carry out its activities without the services of the many volunteers who donate a considerable number of hours. Because of the difficulty of compiling these hours, contributed services are not recognized in the financial statements.

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# COMMUNITY FUTURES CAPITAL REGION

## Notes to Financial Statements

Year Ended March 31, 2021

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Cash and cash equivalents

Cash and cash equivalents consist of balances with banks and short-term investments with maturities not exceeding 90 days.

#### Investment Loans and Accrued Interest Receivable

Investment loans receivable are classified as held to maturity financial instruments and are recorded at the lower of principal plus accrued interest and estimated realizable value.

Interest income from loans is recorded on the accrual basis for all loans not classified as impaired. Loans are classified as impaired when there is reasonable doubt as to the timely collection of some portion of principal or interest. This assessment is made by management and the Board of Directors.

When a loan is classified as impaired, recognition of interest income in accordance with the original loan agreement ceases. Any subsequent payments received on an impaired loan are applied to reduce the recorded investment in the loan.

#### Allowance for Doubtful Loans

The organization maintains an allowance for doubtful loans that reduces the carrying value of loans to their estimated realizable amount. The allowance is increased by a provision for investment losses which is charged to income and reduced by write-offs, net of recoveries.

The Allowance for Doubtful Loans is calculated by management based on specific doubtful loans plus 3% (3% - 2020) of the rest of the portfolio excluding the RRRF loans. A specific allowance is established on an individual loan basis, to reduce the carrying book values to estimated realizable values. Estimated realizable values are determined by discounting the expected future cash flows at the effective interest rate inherent in the loans. When the amounts and timing of future cash flows cannot be reliably established, estimated realizable values are determined by reference to market prices for the loans of their underlying security.

#### Property, plant and equipment

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Equipment is amortized over their estimated useful lives on a declining balance basis at the following rates.

Building and land	3% declining balance method
Office furniture and fixtures	20% declining balance method
Computer hardware	33% declining balance method
Computer software	50% declining balance method

#### Measurement uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Current estimates include allowance for doubtful accounts, allocation of expenses between funds and depreciation of capital assets. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

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# COMMUNITY FUTURES CAPITAL REGION

## Notes to Financial Statements

Year Ended March 31, 2021

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Financial Instruments Policy

##### Held for trading

The organization has classified the following financial assets and liabilities as held for trading: cash and short term investments. These instruments are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties.

Held for trading financial instruments are subsequently measured at their fair value. Gains and losses arising from changes in fair value are recognized immediately in net income.

##### Loans and receivables

The organization has classified the following financial assets as loans and receivables: trade accounts receivable and long term loans receivable. These assets are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties.

Loans and receivables are subsequently measured at their amortized cost, using the effective interest method. Under this method, estimated future cash receipts are exactly discounted over the asset's expected life, or other appropriate method, to its net carrying value. Amortized cost is the amount at which the financial asset is measured at initial recognition less principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount, and less any reduction for impairment or uncollectibility. Gains or losses arising from changes in fair value are recognized in net income from derecognition or impairment.

##### Other financial liabilities

The organization has classified the following financial liabilities as other financial liabilities: accounts payable and accruals. These liabilities are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Under this method, estimated future cash payments are exactly discounted over the liability's expected life, or other appropriate period, to its net carry value. Amortized cost is the amount at which the financial liability is measured at initial recognition less principal repayments, and plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount. Gains and losses arising from the changes in fair value are recognized in net income upon derecognition or impairment.

### 2. ACCOUNTS RECEIVABLE

Accounts receivable is comprised of

	<u>2021</u>	<u>2020</u>
GST receivable	\$ 4,308	\$ 537
Trade receivables	-	28,965
Loan fees receivable	18,332	15,753
Less: provision for loan fees receivable	<u>(5,072)</u>	<u>(6,053)</u>
	<u>\$ 17,568</u>	<u>\$ 39,202</u>

**COMMUNITY FUTURES CAPITAL REGION**

**Notes to Financial Statements**

**Year Ended March 31, 2021**

3. ACCRUED INTEREST RECEIVABLE

	Restricted General	Restricted Disabled	2021	2020
Interest in arrears	\$ 51,744	\$ -	\$ 51,744	\$ 32,176
Less: provision for loan losses	(18,893)	-	(18,893)	(19,885)
	\$ 32,851	\$ -	\$ 32,851	\$ 12,291

4. INTER-FUND RECEIVABLE/PAYABLE

The inter-fund balances are of an operating nature and will be paid/repaid in the next fiscal year.

5. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated amortization	2021 Net book value	2020 Net book value
Building and land	\$ 501,426	\$ 164,969	\$ 336,457	\$ 331,757
Office furniture and fixtures	55,041	45,005	10,036	-
Computer hardware	63,118	58,911	4,207	808
Computer software	2,764	2,764	-	-
	\$ 622,349	\$ 271,649	\$ 350,700	\$ 332,565

**COMMUNITY FUTURES CAPITAL REGION**

**Notes to Financial Statements**

**Year Ended March 31, 2021**

6. INVESTMENT LOANS RECEIVABLE

	Restricted General	Restricted Disabled	Restricted RRRF	2021	2020
Loans Receivable	\$ 1,639,178	\$ 107,838	\$ 3,216,582	\$ 4,963,598	\$ 1,329,020
Less: allowance for loan impairment	(138,591)	-	-	(138,591)	(129,335)
Less: current portion	(225,968)	(20,390)	-	(246,358)	(286,144)
	<u>\$ 1,274,619</u>	<u>\$ 87,448</u>	<u>\$ 3,216,582</u>	<u>\$ 4,578,649</u>	<u>\$ 913,541</u>

An allowance for impairment on investment loans is made based on expected loan default rates, potential loss ratios and review of loans portfolio, as determined by management as follows:

ALLOWANCE FOR LOAN IMPAIRMENT:

Balance, beginning of year	\$ (129,335)	\$ -	\$ -	\$ (129,335)	\$ (132,341)
Provision for loan losses	(39,115)	-	-	(39,115)	(27,271)
Amounts written off to the allowance	29,859	-	-	29,859	30,277
Balance at end of year	<u>\$ (138,591)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (138,591)</u>	<u>\$ (129,335)</u>
Total recorded investment on impaired loans	<u>\$ 255,255</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 255,255</u>	<u>\$ 266,981</u>

In accordance with the Corporation's objectives, the Corporation has provided loans to small businesses. Outstanding loans to entrepreneurs are interest bearing at fixed rates varying from 0.0% to 10.0% per annum with monthly blended principal and interest repayments amortized for terms between 12 and 60 months. Security is taken on these loans as appropriate to the situation and includes personal guarantees, general security agreements covering business assets and mortgages on property.

7. SHORT TERM DEBT

The organization also has a credit facility of \$750,000 from Community Futures Network of Alberta. As at March 31, 2021, the organization used \$Nil (\$Nil in 2020) from its credit facility. As a security for the repayment, the Society provided a general security agreement and a promissory note for the total amount of the loan. Subsequent to March 31, 2021 \$300,000 of this credit facility has been drawn upon.

8. DEFERRED REVENUE

Deferred revenues represent the amount of the restricted contributions that are related to disbursements of future periods.

	2021	2020
Minister of Western Economic Diversification	\$ 14,748	\$ 24,580
Young Entrepreneur Training Initiative (YETI)	3,500	-
	<u>\$ 18,248</u>	<u>\$ 24,580</u>



# COMMUNITY FUTURES CAPITAL REGION

## Notes to Financial Statements

Year Ended March 31, 2021

### 9. GENERAL FUND NET ASSETS

Included in the general fund net assets is \$350,700 (2020 - \$332,565) that is invested in capital assets.

### 10. EXTERNALLY RESTRICTED ASSETS

Loan funds contributed by the government are classified as repayable, non-repayable and disabled according to the nature of the restrictions placed on their use and the term of the program for which they were advanced. Externally imposed restrictions on loan investment fund balances are as follows:

	<u>2021</u>	<u>2020</u>
General	\$ 1,511,536	\$ 1,457,767
Disabled	155,463	149,138
RRRF	<u>4,214,818</u>	-
	<u>\$ 5,881,817</u>	<u>\$ 1,606,905</u>

Under the terms and conditions of the contribution agreement with the Department of Western Economic Diversification (WD), the Regional Relief and Recovery Fund (RRRF) is fully repayable upon the repayment of loans from small-and-medium sized enterprises, or when RRRF loan funds remain undispersed and are requested to be returned by WD.

Under the terms and conditions of the contribution agreement with the Department of Western Economic Diversification, loan investment funds include Conditionally Repayable Funds in the amount of \$1,387,500 that are repayable if any of the following conditions occur:

- a) The Conditionally Repayable Investment fund is not administered according to the terms and conditions specified in the Agreement; or
- b) Based on review and evaluations of the operations and the Conditionally Repayable Investment Fund of the organization, the Conditionally Repayable investment Fund is not providing a satisfactory level of benefits in terms of employment creation, the development of community-owned or controlled businesses and strengthening of the western Canadian economy; or
- c) In the opinion of the Minister, the Conditionally Repayable Investment Fund is no longer necessary or relevant to the development of the Western Canadian economy; or
- d) The Agreement is terminated as described in Section 12 of the Agreement; or
- e) An event of default occurs as described in Section 7 of the Agreement; or
- f) The Minister does not approve terms and conditions to extend the project beyond March 31, 2026.
- g) If this agreement is not renewed beyond the March 31, 2026 ending date, the outstanding loans receivable would be liquidated in an orderly fashion over a period of 3 to 5 years. Minimal staff would be kept on to oversee this process and operational costs would have to be covered by the interest earned by the loans as the Department of Western Economic Diversification would no longer fund operational costs. No new loans receivable would be granted and no other projects would be initiated.

COMMUNITY FUTURES CAPITAL REGION

Notes to Financial Statements

Year Ended March 31, 2021

11. RELATED PARTY TRANSACTIONS

- a) During the year, the Corporation entered into transactions with the following related parties:  
Rick Morawski, board chair  
Tyler Bentley, board vice chair  
Vanessa Simonin, board secretary/treasurer  
Ron Hanchurak, board director  
Brad Hopfau, board director

- b) The Corporation entered into the following transactions with related parties.

	<u>2021</u>	<u>2020</u>
<u>Board and committee expenses and reimbursements</u>		
Board members	<u>1,975</u>	<u>2,776</u>
Grand total	<u>\$ 1,975</u>	<u>\$ 2,776</u>

12. COMMITMENTS

As at March 31, 2021, all loan investment applications, that were approved by the Board of Directors, were drawn upon.

Subsequent to March 31, 2021, General Fund loans of \$100,087 were approved by the Board of Directors, of which \$70,087 has been advanced.

Subsequent to March 31, 2021, loans of \$145,000 were approved under the Regional Relief and Recovery Fund of which all have been advanced.

13. ECONOMIC DEPENDENCE

The organization receives a significant portion of its operating revenues from the Federal and Provincial governments and is economically dependent upon them.

14. EXCEPTIONAL ITEM

In March 2020, the World Health Organization declared a global pandemic due to the novel coronavirus (COVID-19). The situation is constantly evolving, and the measures put in place are having multiple impacts on local, provincial, national and global economies.

As at March 31, 2021, the organization is aware of changes in its operations as a result of the COVID-19 crisis. Management is uncertain of the effects of these changes on its financial statements and believes that any disturbance may be temporary; however, there is uncertainty about the length and potential impact of the disturbance.

As a result, we are unable to estimate the potential impact on the organization's operations as at the date of these financial statements.

# COMMUNITY FUTURES CAPITAL REGION

## Notes to Financial Statements

Year Ended March 31, 2021

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### 15. FINANCIAL INSTRUMENTS

The organization is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the organization's risk exposure and concentration as of March 31, 2021.

#### *(a) Credit risk*

The company is exposed to credit risk on investment loans receivable from its applicants. In order to reduce its credit risk, the company has adopted credit policies and all loans are approved by the Board of Directors. The organization also provides for doubtful accounts based on estimated realizable value of the investment loans receivable.

#### *(b) Liquidity risk*

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The organization is exposed to this risk mainly in respect of its receipt of funds from its customers and other related sources, and accounts payable.

#### *(c) Interest rate risk*

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the organization manages exposure through its normal operating and financing activities. The organization is exposed to interest rate risk primarily through its floating interest rate on short-term debt.

#### *(d) Changes in Risk*

There have been no changes in the organization's risk exposures from the prior year

**COMMUNITY FUTURES CAPITAL REGION**

**RRRF Statement of Financial Position**

*(Schedule 1)*

**Year Ended March 31, 2021**

	RRRF Operating 2021	Restricted RRRF 2021	Total 2021
<b>ASSETS</b>			
<b>CURRENT</b>			
Prepaid expenses	\$ 15,018	\$ -	\$ 15,018
Inter-fund receivable	8,779	998,236	1,007,015
	<u>\$ 23,797</u>	<u>\$ 998,236</u>	<u>\$ 1,022,033</u>
<b>INVESTMENT LOANS RECEIVABLE</b>	<u>\$ -</u>	<u>\$ 3,216,582</u>	<u>\$ 3,216,582</u>
<b>TOTAL ASSETS</b>	<u>\$ 23,797</u>	<u>\$ 4,214,818</u>	<u>\$ 4,238,615</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 8,992	\$ -	\$ 8,992
<b>TOTAL LIABILITIES</b>	<u>\$ 8,992</u>	<u>\$ -</u>	<u>\$ 8,992</u>
<b>NET ASSETS</b>			
Net Assets - beginning of the year	\$ -	\$ -	\$ -
Excess of revenues over expenses	14,805	-	14,805
Contributions during the year	-	4,214,818	4,214,818
<b>TOTAL NET ASSETS</b>	<u>14,805</u>	<u>4,214,818</u>	<u>4,229,623</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 23,797</u>	<u>\$ 4,214,818</u>	<u>\$ 4,238,615</u>

**COMMUNITY FUTURES CAPITAL REGION**

**Statement of RRRF Revenues and Expenses**

*(Schedule 2)*

**Year Ended March 31, 2021**

	RRRF Operating 2021	Restricted RRRF 2021	Total 2021
<b>REVENUES</b>	\$ 173,500	\$ -	\$ 173,500
<b>EXPENSES</b>			
Salaries and benefits	119,250	-	119,250
Professional, accounting and audit	13,082	-	13,082
Advertising and promotion	11,072	-	11,072
Repairs and maintenance	7,209	-	7,209
Office	3,046	-	3,046
Professional development	2,341	-	2,341
Travel	2,104	-	2,104
Utilities	440	-	440
Bank charges and loan costs	151	-	151
	<u>158,695</u>	<u>-</u>	<u>158,695</u>
<b>EXCESS OF REVENUES OVER EXPENSES FROM RRRF OPERATIONS</b>	<u>14,805</u>	<u>-</u>	<u>14,805</u>
	<u>-</u>	<u>-</u>	<u>-</u>
<b>OTHER EXPENDITURES</b>			
Prepaid expenses	15,018	-	15,018
	<u>15,018</u>	<u>-</u>	<u>15,018</u>
<b>LOSS FROM RRRF OPERATIONS</b>	<u>\$ (213)</u>	<u>\$ -</u>	<u>\$ (213)</u>



Chartered Professional  
Accountants

**Independent Practitioner's Reasonable Assurance Report on Compliance**

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Canada T7A 1S3

Phone: (780) 542-4468  
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To the Members of Community Futures Capital Region:

We have undertaken a reasonable assurance engagement of Community Futures Capital Region's compliance during the period April 1, 2020, to March 31, 2021, with the requirements set out in the Contribution Agreement between Western Economic Diversification Canada and Community Futures Capital Region dated March 2, 2018.

*Management's Responsibility*

Management is responsible for Community Futures Capital Region 's compliance with the specified requirements. Management is also responsible for such internal control as management determines necessary to enable Community Futures Capital Region 's compliance with the specified requirements.

*Our Responsibility*

Our responsibility is to express a reasonable assurance opinion on Community Futures Capital Region 's compliance based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with Canadian Standard on Assurance Engagements 3531, Direct Engagements to Report on Compliance. This standard requires that we plan and perform this engagement to obtain reasonable assurance about whether the entity complied with the specified requirements, in all significant respects.

Reasonable assurance is a high level of assurance but is not a guarantee that an engagement conducted in accordance with this standard will always detect a significant instance of non-compliance with specified requirements when it exists. Instances of non-compliance can arise from fraud or error and are considered significant if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users of our report. A reasonable assurance compliance reporting engagement involves performing procedures to obtain evidence about the entity's compliance with the specified requirements. The nature, timing and extent of procedures selected depends on our professional judgment, including an assessment of the risks of significant non-compliance, whether due to fraud or error.

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

*Our Independence and Quality Control*

We have complied with the independence and other ethical requirements of the Rules of Professional Conduct of Alberta, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour.

The firm applies Canadian Standard on Quality Control 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements* and, accordingly, maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

*Opinion*

In our opinion, Community Futures Capital Region complied with the specified requirements set out in the Contribution Agreement during the period April 1, 2020, to March 31, 2021, in all significant respects. We do not provide a legal opinion on Community Futures Capital Region 's compliance with the specified requirements.

*Restriction on Distribution and Use of Our Report*

Our report is intended solely for Community Futures Capital Region and Western Economic Diversification Canada and should not be distributed to or used by parties other than Community Futures Capital Region or Western Economic Diversification Canada.

Drayton Valley, Alberta  
June 22, 2021

*Carlson Roberts Seely LLP.*

Carlson Roberts Seely LLP  
Chartered Professional Accountants