

**COMMUNITY FUTURES CAPITAL REGION**

**Financial Statements**

**Year Ended March 31, 2022**

**COMMUNITY FUTURES CAPITAL REGION**

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**Year Ended March 31, 2022**

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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, 2022, 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, 2022, 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:

*(continues)*

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 21, 2022

CHARTERED PROFESSIONAL ACCOUNTANTS

**COMMUNITY FUTURES CAPITAL REGION**

**Statement of Financial Position**

**March 31, 2022**

	General Fund 2022	Restricted General 2022	Restricted Disabled 2022	Restricted RRRF 2022	<b>Total 2022</b>	Total 2021
<b>ASSETS</b>						
<b>CURRENT</b>						
Cash	\$ 281,330	\$ 306,706	\$ 92,893	\$ -	\$ <b>680,929</b>	\$ 1,226,549
Accounts receivable <i>(Note 2)</i>	22,281	-	-	-	<b>22,281</b>	17,568
Accrued interest receivable <i>(Note 3)</i>	-	3,056	-	-	<b>3,056</b>	32,851
Prepaid expenses	4,015	-	-	-	<b>4,015</b>	23,832
Inter-fund receivable <i>(Note 4)</i>	-	49,655	-	-	<b>49,655</b>	998,236
Current portion of investment loans receivable <i>(Note 6)</i>	-	202,881	15,383	-	<b>218,264</b>	246,358
	<hr/> 307,626	<hr/> 562,298	<hr/> 108,276	<hr/> -	<hr/> <b>978,200</b>	<hr/> 2,545,394
<b>PROPERTY, PLANT AND EQUIPMENT <i>(Net of accumulated amortization) (Note 5)</i></b>	 345,459	 -	 -	 -	 <b>345,459</b>	 350,700
<b>LOANS AND NOTES RECEIVABLE <i>(Note 6)</i></b>	 -	 1,133,026	 58,292	 3,931,582	 <b>5,122,900</b>	 4,578,649
	<hr/> <b>\$ 653,085</b>	<hr/> <b>\$ 1,695,324</b>	<hr/> <b>\$ 166,568</b>	<hr/> <b>\$ 3,931,582</b>	<hr/> <b>\$ 6,446,559</b>	<hr/> <b>\$ 7,474,743</b>

See notes to financial statements

**COMMUNITY FUTURES CAPITAL REGION**

**Statement of Financial Position**

**March 31, 2022**

	General Fund 2022	Restricted General 2022	Restricted Disabled 2022	Restricted RRRF 2022	<b>Total 2022</b>	Total 2021
<b>LIABILITIES AND NET ASSETS</b>						
<b>CURRENT</b>						
Accounts payable	\$ 17,569	\$ 3,063	\$ -	\$ -	\$ 20,632	\$ 75,952
Short term debt	-	100,000	-	-	<b>100,000</b>	-
Inter-fund payable (Note 4)	26,373	-	3,282	20,000	<b>49,655</b>	998,236
Deferred income (Note 9)	3,450	-	-	-	<b>3,450</b>	18,248
	47,392	103,063	3,282	20,000	<b>173,737</b>	1,092,436
LONG TERM DEBT (Note 10)	111,154	-	-	-	<b>111,154</b>	-
	158,546	103,063	3,282	20,000	<b>284,891</b>	1,092,436
<b>NET ASSETS (Notes 13, 14)</b>	494,539	1,592,261	163,286	3,911,582	<b>6,161,668</b>	6,382,307
	\$ 653,085	\$ 1,695,324	\$ 166,568	\$ 3,931,582	\$ <b>6,446,559</b>	\$ 7,474,743

**ON BEHALF OF THE BOARD**

\_\_\_\_\_ Director

\_\_\_\_\_ Director

**COMMUNITY FUTURES CAPITAL REGION**

**Statement of Revenues and Expenditures**

**Year Ended March 31, 2022**

	General Fund 2022	Restricted General 2022	Restricted Disabled 2022	RRRF 2022	Total 2022	Total 2021
<b>REVENUES</b>						
Federal contracts	\$ 329,777	\$ -	\$ -	\$ -	\$ 329,777	\$ 453,715
Investment interest	-	108,698	7,479	-	116,177	102,745
CROP project	50,355	-	-	-	50,355	52,555
Loan fees	19,454	-	-	-	19,454	21,074
Summer entrepreneurial program	11,037	-	-	-	11,037	-
Canada summer jobs grant	3,900	-	-	-	3,900	7,800
Bank interest	670	1,820	344	-	2,834	1,792
Community marketing initiative	2,500	-	-	-	2,500	-
CFLIP interest	-	-	-	-	-	1,787
	<b>417,693</b>	<b>110,518</b>	<b>7,823</b>	<b>-</b>	<b>536,034</b>	<b>641,468</b>
<b>EXPENSES</b>						
Salaries and benefits	257,002	-	-	-	257,002	270,319
Crop grant expenses	52,157	-	-	-	52,157	48,023
Professional, accounting and audit	28,073	-	-	-	28,073	40,401
Advertising and promotion	14,317	-	-	-	14,317	24,954
Utilities	12,861	-	-	-	12,861	11,449
Office	10,141	-	-	-	10,141	15,088
Summer entrepreneurial program expenses	9,638	-	-	-	9,638	6,500
Bank charges and loan costs	549	7,089	-	-	7,638	1,877
Repairs and maintenance	7,461	-	-	-	7,461	8,924
Travel	4,131	-	-	-	4,131	3,150
Board member expenses	4,112	-	-	-	4,112	2,656
Property taxes	3,995	-	-	-	3,995	3,797
Insurance	2,400	-	-	-	2,400	2,386
Consultants	1,667	-	-	-	1,667	-
Professional development	938	-	-	-	938	3,441
Memberships and dues	678	-	-	-	678	969
Sponsorship	-	-	-	-	-	300
Provision (recovery) for investment losses	-	22,704	-	-	22,704	70,092

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See notes to financial statements

**COMMUNITY FUTURES CAPITAL REGION**  
**Statement of Revenues and Expenditures** *(continued)*  
**Year Ended March 31, 2022**

	General Fund 2022	Restricted General 2022	Restricted Disabled 2022	RRRF 2022	Total 2022	Total 2021
Amortization	13,524	-	-	-	<b>13,524</b>	12,249
	423,644	29,793	-	-	<b>453,437</b>	526,575
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES FROM OPERATIONS</b>	(5,951)	80,725	7,823	-	<b>82,597</b>	114,893
OTHER INCOME						
CFLIP realized gain	-	-	-	-	-	7,236
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b>	<b>\$ (5,951)</b>	<b>\$ 80,725</b>	<b>\$ 7,823</b>	<b>\$ -</b>	<b>\$ 82,597</b>	<b>\$ 122,129</b>

See notes to financial statements



**COMMUNITY FUTURES CAPITAL REGION**

**Statement of Changes in Net Assets**

**Year Ended March 31, 2022**

	General Fund 2022	Restricted General 2022	Restricted Disabled 2022	Restricted RRRF 2022	<b>2022 2022</b>	2021 2021
<b>NET ASSETS - BEGINNING OF YEAR</b>	\$ 500,490	\$ 1,511,536	\$ 155,463	\$ 4,214,818	\$ <b>6,382,307</b>	\$ 2,045,360
Excess of revenues over expenses	(5,951)	80,725	7,823	-	<b>82,597</b>	122,129
Contributions during the year	-	-	-	150,000	<b>150,000</b>	4,214,818
Repayments during the year	-	-	-	(453,236)	<b>(453,236)</b>	-
<b>NET ASSETS - END OF YEAR</b>	\$ 494,539	\$ 1,592,261	\$ 163,286	\$ 3,911,582	\$ <b>6,161,668</b>	\$ 6,382,307

**Breakdown of Net Assets**

**Year Ended March 31, 2022**

	General Fund 2022	Restricted General 2022	Restricted Disabled 2022	Restricted RRRF 2022	<b>Total 2022</b>	Total 2021
Original contributions	\$ -	\$ 1,187,500	\$ 200,000	\$ 3,911,582	\$ <b>5,299,082</b>	\$ 5,602,318
Earned net assets	494,539	404,761	(36,714)	-	<b>862,586</b>	779,989
	\$ 494,539	\$ 1,592,261	\$ 163,286	\$ 3,911,582	\$ <b>6,161,668</b>	\$ 6,382,307

**COMMUNITY FUTURES CAPITAL REGION**

**Statement of Cash Flows  
Year Ended March 31, 2022**

	General Fund 2022	Restricted General 2022	Restricted Disabled 2022	Restricted RRRF 2022	2022 2022	2021 2021
<b>OPERATING ACTIVITIES</b>						
Excess (deficiency) of revenues over expenses	\$ (5,951)	\$ 80,725	\$ 7,823	\$ -	\$ 82,597	\$ 122,129
Items not affecting cash:						
Amortization of property, plant and equipment	13,524	-	-	-	13,524	12,249
Gain on disposal of investments	-	-	-	-	-	(7,236)
Provision for investment losses	-	22,704	-	-	22,704	70,092
	<u>7,573</u>	<u>103,429</u>	<u>7,823</u>	<u>-</u>	<u>118,825</u>	<u>197,234</u>
Changes in non-cash working capital:						
Accounts and interest receivable	(7,129)	30,770	-	-	23,641	678
Accounts payable	(53,312)	407	-	-	(52,905)	64,909
Deferred income	(14,798)	-	-	-	(14,798)	(6,332)
Prepaid expenses	19,817	-	-	-	19,817	(21,953)
Inter-fund payable (receivable)	(927,508)	(90,887)	159	1,018,236	-	-
	<u>(982,930)</u>	<u>(59,710)</u>	<u>159</u>	<u>1,018,236</u>	<u>(24,245)</u>	<u>37,302</u>
Cash flow from (used by) operating activities	<u>(975,357)</u>	<u>43,719</u>	<u>7,982</u>	<u>1,018,236</u>	<u>94,580</u>	<u>234,536</u>
<b>INVESTING ACTIVITIES</b>						
Purchase of property, plant and equipment	(8,283)	-	-	-	(8,283)	(30,384)
Repayment of loans and notes receivable	-	736,588	34,163	-	770,751	491,359
Addition to loans and notes receivable	-	(595,586)	-	(715,000)	(1,310,586)	(4,186,377)
Withdrawal of term deposits	-	-	-	-	-	164,212
Additions to term deposits	-	-	-	-	-	(1,787)
Cash flow from (used by) investing activities	<u>(8,283)</u>	<u>141,002</u>	<u>34,163</u>	<u>(715,000)</u>	<u>(548,118)</u>	<u>(3,562,977)</u>

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See notes to financial statements

**COMMUNITY FUTURES CAPITAL REGION**

**Statement of Cash Flows (continued)**

**Year Ended March 31, 2022**

	General Fund 2022	Restricted General 2022	Restricted Disabled 2022	Restricted RRRF 2022	<b>2022 2022</b>	2021 2021
<b>FINANCING ACTIVITIES</b>						
Contributions during the year	-	-	-	150,000	<b>150,000</b>	4,214,818
Repayments during the year	-	-	-	(453,236)	<b>(453,236)</b>	-
Short term debt	-	100,000	-	-	<b>100,000</b>	-
Long term debt	111,154	-	-	-	<b>111,154</b>	-
Cash flow from (used by) financing activities	111,154	100,000	-	(303,236)	<b>(92,082)</b>	4,214,818
<b>INCREASE (DECREASE) IN CASH FLOW</b>	(872,486)	284,721	42,145	-	<b>(545,620)</b>	886,376
Cash - beginning of year	1,153,816	21,985	50,748	-	<b>1,226,549</b>	340,173
<b>CASH - END OF YEAR</b>	\$ 281,330	\$ 306,706	\$ 92,893	\$ -	\$ <b>680,929</b>	\$ 1,226,549
<b>CASH CONSISTS OF:</b>						
Cash	\$ 281,330	\$ 306,706	\$ 92,893	\$ -	\$ <b>680,929</b>	\$ 1,226,549

See notes to financial statements

# COMMUNITY FUTURES CAPITAL REGION

## Notes to Financial Statements

Year Ended March 31, 2022

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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, 2022

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### 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% - 2021) 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 ssecurity.

#### Property, plant and equipment

Property, plant and equipment is stated at cost or deemed cost less accumulated amortization and is amortized over its estimated useful life on a declining balance basis at the following rates and methods:

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

The company regularly reviews its property, plant and equipment to eliminate obsolete items. Government grants are treated as a reduction of property, plant and equipment cost.

Property, plant and equipment acquired during the year but not placed into use are not amortized until they are placed into use.

#### 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, 2022

### 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>2022</u>	<u>2021</u>
GST receivable	\$ 1,892	\$ 4,308
Trade receivables	18,550	-
Loan fees receivable	2,876	18,332
Less: provision for loan fees receivable	(1,037)	(5,072)
	<u>\$ 22,281</u>	<u>\$ 17,568</u>

**COMMUNITY FUTURES CAPITAL REGION**

**Notes to Financial Statements**

**Year Ended March 31, 2022**

3. ACCRUED INTEREST RECEIVABLE

	Restricted General	Restricted Disabled	<b>2022</b>	2021
Interest in arrears	\$ 25,009	\$ -	\$ <b>25,009</b>	\$ 51,744
Less: provision for loan losses	(21,953)	-	<b>(21,953)</b>	(18,893)
	\$ 3,056	\$ -	\$ <b>3,056</b>	\$ 32,851

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	<b>2022 Net book value</b>	2021 Net book value
Building and land	\$ 501,426	\$ 175,062	\$ <b>326,364</b>	\$ 336,457
Office furniture and fixtures	63,324	46,476	<b>16,848</b>	10,036
Computer hardware	63,118	60,871	<b>2,247</b>	4,207
Computer software	2,764	2,764	-	-
	\$ 630,632	\$ 285,173	\$ <b>345,459</b>	\$ 350,700

**COMMUNITY FUTURES CAPITAL REGION**

**Notes to Financial Statements**

**Year Ended March 31, 2022**

6. INVESTMENT LOANS RECEIVABLE

	Restricted General	Restricted Disabled	Restricted RRRF	<b>2022</b>	2021
Loans Receivable	\$ 1,412,015	\$ 73,675	\$ 3,931,582	<b>\$ 5,417,272</b>	\$ 4,963,598
Less: allowance for loan impairment	(76,108)	-	-	<b>(76,108)</b>	(138,591)
Less: current portion	(202,881)	(15,383)	-	<b>(218,264)</b>	(246,358)
	<u>\$ 1,133,026</u>	<u>\$ 58,292</u>	<u>\$ 3,931,582</u>	<u><b>\$ 5,122,900</b></u>	<u>\$ 4,578,649</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	\$ (138,591)	\$ -	\$ -	<b>\$ (138,591)</b>	\$ (129,335)
Provision for loan losses	-	-	-	-	(39,115)
Amounts written off to the allowance	43,368	-	-	<b>43,368</b>	29,859
Amounts recovered from the allowance	19,115	-	-	<b>19,115</b>	-
Balance at end of year	<u>\$ (76,108)</u>	<u>\$ -</u>	<u>\$ -</u>	<u><b>\$ (76,108)</b></u>	<u>\$ (138,591)</u>
Total recorded investment on impaired loans	<u>\$ 91,678</u>	<u>\$ -</u>	<u>\$ -</u>	<u><b>\$ 91,678</b></u>	<u>\$ 255,255</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.



COMMUNITY FUTURES CAPITAL REGION

Notes to Financial Statements

Year Ended March 31, 2022

7. INVESTMENT LOANS RECEIVABLE (CONTINUED)

The breakdown of transactions related to the RRRF investment loans receivable is as follows:

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 3,216,582	\$ -
Advances during the year	715,000	3,216,582
Repayments during the year	-	-
Forgiven portion during the year	-	-
Balance, end of year	<u>\$ 3,931,582</u>	<u>\$ 3,216,582</u>

8. SHORT TERM DEBT

The organization also has a credit facility of \$750,000 that bears interest at prime rate from Community Futures Network of Alberta. As at March 31, 2022, the organization used \$100,000 (\$Nil in 2021) 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.

9. DEFERRED REVENUE

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

	<u>2022</u>	<u>2021</u>
Prairies Economic Development Canada	\$ -	\$ 14,748
Young Entrepreneur Training Initiative (YETI)	3,450	3,500
	<u>\$ 3,450</u>	<u>\$ 18,248</u>

**COMMUNITY FUTURES CAPITAL REGION**

**Notes to Financial Statements**

**Year Ended March 31, 2022**

10. LONG TERM DEBT

	<u>2022</u>	<u>2021</u>
Community Futures Alberta	<u>\$ 111,154</u>	<u>\$ -</u>

Community Futures Alberta loan non-interest bearing with no fixed terms of repayment. The term for this loan ends December 31, 2025. At the time the funds from this loan are "used for operating costs related to RRRF loan aftercare and assisting SMEs in their communities in response to COVID-19" the corresponding portion of this loan will be forgiven.

11. RELATED PARTY TRANSACTIONS

- a) During the prior year, the corporation entered into transactions with the following related parties:
- Rick Morawski, board chair
  - Vanessa Simonin, board vice chair
  - Aishat Oguntola, board secretary/treasurer
  - Ron Hanchurak, board director
  - Sandra McIntosh, board director

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

	<u>2022</u>	<u>2021</u>
<u>Board and committee expenses and reimbursements</u>		
Board members	\$ -	\$ 1,975

12. INTEREST TRANSFERS

Prairies Economic Development Canada has pre-approved the corporation for an interest transfer of up to 75% of net growth to a maximum of \$100,000. Interest transfers are not allowed when the corporation has an operating surplus or when the transfer will create an operating surplus. This allows the corporation to transfer funds from a restricted investment fund to the general fund.

The corporation transferred \$nil from its investment funds to operating funds (2021 - \$nil).

13. GENERAL FUND NET ASSETS

Included in the general fund net assets is \$345,459 (2021 - \$350,700) that is invested in capital assets.

# COMMUNITY FUTURES CAPITAL REGION

## Notes to Financial Statements

Year Ended March 31, 2022

### 14. 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>2022</u>	<u>2021</u>
General	\$ 1,592,261	\$ 1,511,536
Disabled	163,286	155,463
RRRF	<u>3,911,582</u>	<u>4,214,818</u>
	<u>\$ 5,667,129</u>	<u>\$ 5,881,817</u>

Under the terms and conditions of the contribution agreement with Prairies Economic Development Canada (PrairiesCan), 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 PrairiesCan.

Under the terms and conditions of the contribution agreement with the Prairies Economic Development Canada, 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 in accordance with the provisions of the Agreement; or
- e) An event of default occurs as described 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. 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 PrairiesCan would no longer fund operational costs. No new loans receivable would be granted and no other projects would be initiated.

### 15. ECONOMIC DEPENDENCE

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

## COMMUNITY FUTURES CAPITAL REGION

### Notes to Financial Statements

Year Ended March 31, 2022

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#### 16. 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, 2022.

##### *(a) Credit risk*

Credit risk arises from the potential that a counter party will fail to perform its obligations. The company is exposed to credit risk from customers. In order to reduce its credit risk, the company reviews a new customer's credit history before extending credit, conducts regular reviews of its existing customers' credit performance and all loans are approved by the Board of Directors. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The company has a significant number of customers which minimizes concentration of credit risk.

##### *(b) Liquidity risk*

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The company is exposed to this risk mainly in respect of its receipt of funds from its customers and other related sources, long-term debt, 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 company manages exposure through its normal operating and financing activities. The company 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, 2022**

	RRRF Operating 2022	Restricted RRRF 2022	Total 2022	Total 2021
<b>ASSETS</b>				
<b>CURRENT</b>				
Prepaid expenses	\$ -	\$ -	\$ -	\$ 15,018
Inter-fund receivable	110,941	-	<b>110,941</b>	1,007,015
	<b>\$ 110,941</b>	<b>\$ -</b>	<b>\$ 110,941</b>	<b>\$ 1,022,033</b>
<b>INVESTMENT LOANS RECEIVABLE</b>				
	\$ -	\$ 3,931,582	\$ <b>3,931,582</b>	\$ 3,216,582
<b>TOTAL ASSETS</b>	<b>\$ 110,941</b>	<b>\$ 3,931,582</b>	<b>\$ 4,042,523</b>	<b>\$ 4,238,615</b>
<b>LIABILITIES</b>				
<b>CURRENT</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ 8,992
Inter-fund payable	-	20,000	<b>20,000</b>	-
	<b>\$ -</b>	<b>\$ 20,000</b>	<b>\$ 20,000</b>	<b>\$ 8,992</b>
<b>LONG TERM DEBT</b>				
	\$ 111,154	\$ -	\$ <b>111,154</b>	\$ -
<b>TOTAL LIABILITIES</b>	<b>\$ 111,154</b>	<b>\$ 20,000</b>	<b>\$ 131,154</b>	<b>\$ 8,992</b>
<b>NET ASSETS</b>				
Net Assets - beginning of the year	\$ 14,805	\$ 4,214,818	\$ <b>4,229,623</b>	\$ -
Excess of revenues over expenses	(15,018)	-	<b>(15,018)</b>	14,805
Contributions during the year	-	150,000	<b>150,000</b>	4,214,818
Repayment during the year	-	(453,236)	<b>(453,236)</b>	-
<b>TOTAL NET ASSETS</b>	<b>(213)</b>	<b>3,911,582</b>	<b>3,911,369</b>	<b>4,229,623</b>
<b>TOTAL NET ASSETS AND LIABILITIES</b>	<b>\$ 110,941</b>	<b>\$ 3,931,582</b>	<b>\$ 4,042,523</b>	<b>\$ 4,238,615</b>

**COMMUNITY FUTURES CAPITAL REGION**

**Statement of RRRF Revenues and Expenses**

*(Schedule 2)*

**Year Ended March 31, 2022**

	RRRF Operating 2022	Restricted RRRF 2022	Total 2022	Total 2021
<b>REVENUES</b>	\$ 20,066	\$ -	\$ 20,066	\$ 173,500
<b>EXPENSES</b>				
Advertising and promotion	13,250	-	13,250	11,072
Salaries and benefits	12,000	-	12,000	119,250
Professional, accounting and audit	6,000	-	6,000	13,082
Office	3,768	-	3,768	3,046
Travel	66	-	66	2,104
Professional development	-	-	-	2,341
Repairs and maintenance	-	-	-	7,209
Utilities	-	-	-	440
Bank charges and loan costs	-	-	-	151
	<u>35,084</u>	<u>-</u>	<u>35,084</u>	<u>158,695</u>
<b>EXCESS OF REVENUES OVER EXPENSES FROM RRRF OPERATIONS</b>	<u>(15,018)</u>	<u>-</u>	<u>(15,018)</u>	<u>14,805</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>OTHER EXPENDITURES</b>				
Prepaid expenses	-	-	-	15,018
<b>LOSS FROM RRRF OPERATIONS</b>	<u>\$ (15,018)</u>	<u>\$ -</u>	<u>\$ (15,018)</u>	<u>\$ (213)</u>

See notes to financial statements