

COMMUNITY FUTURES CAPITAL REGION

Financial Statements

Year Ended March 31, 2023

Draft for discussion purposes only

COMMUNITY FUTURES CAPITAL REGION

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Year Ended March 31, 2023

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INDEPENDENT AUDITOR'S REPORT

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, 2023, 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, 2023, 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.

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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 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.

COMMUNITY FUTURES CAPITAL REGION

Statement of Financial Position

March 31, 2023

	General Fund 2023	Restricted General 2023	Restricted Disabled 2023	Restricted RRRF 2023	Restricted CGI 2023	Total 2023	Total 2022
ASSETS							
CURRENT							
Cash	\$ 316,722	\$ 289,437	\$ 106,566	\$ -	\$ -	\$ 712,725	\$ 680,929
Accounts receivable (Note 2)	16,347	-	-	-	-	16,347	22,281
Accrued interest receivable (Note 3)	-	8,726	2,220	-	717	11,663	3,056
Prepaid expenses	3,882	-	-	-	-	3,882	4,015
Inter-fund receivable (Note 4)	-	61,794	-	-	500	62,294	49,655
Current portion of investment loans receivable (Note 18)	-	207,526	13,718	20,166	8,219	249,629	218,264
	336,951	567,483	122,504	20,166	9,436	1,056,540	978,200
PROPERTY, PLANT AND EQUIPMENT (Net of accumulated amortization) (Note 5)	333,692	-	-	-	-	333,692	345,459
LOANS AND NOTES RECEIVABLE (Note 18)	-	1,128,226	51,951	3,510,229	88,781	4,779,187	5,122,900
	\$ 670,643	\$ 1,695,709	\$ 174,455	\$ 3,530,395	\$ 98,217	\$ 6,169,419	\$ 6,446,559

See notes to financial statements

COMMUNITY FUTURES CAPITAL REGION

Statement of Financial Position

March 31, 2023

	General Fund 2023	Restricted General 2023	Restricted Disabled 2023	Restricted RRRF 2023	Restricted CGI 2023	Total 2023	Total 2022
LIABILITIES AND NET ASSETS							
CURRENT							
Accounts payable	\$ 17,943	\$ -	\$ -	\$ -	\$ -	\$ 17,943	\$ 20,632
Short term debt	-	-	-	-	-	-	100,000
Inter-fund payable (Note 4)	46,041	-	3,253	13,000	-	62,294	49,655
Deferred income (Note 8)	3,450	-	-	-	-	3,450	3,450
	67,434	-	3,253	13,000	-	83,687	173,737
LONG TERM DEBT (Note 9)	111,154	-	-	-	-	111,154	111,154
	178,588	-	3,253	13,000	-	194,841	284,891
NET ASSETS (Notes 12, 13)	492,055	1,695,709	171,202	3,517,395	98,217	5,974,578	6,161,668
	\$ 670,643	\$ 1,695,709	\$ 174,455	\$ 3,530,395	\$ 98,217	\$ 6,169,419	\$ 6,446,559

ON BEHALF OF THE BOARD

_____ Director

_____ Director

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COMMUNITY FUTURES CAPITAL REGION

Statement of Revenues and Expenditures

Year Ended March 31, 2023

	General Fund 2023	Restricted General 2023	Restricted Disabled 2023	Restricted RRRF 2023	Restricted CGI 2023	Total 2023	Total 2022
REVENUES							
Federal contracts	\$ 294,963	\$ -	\$ -	\$ -	\$ -	\$ 294,963	\$ 329,777
Investment interest	-	103,055	6,934	-	1,217	111,206	116,177
Programs and other (Schedule 3)	109,412	-	-	-	-	109,412	67,792
Bank interest	4,237	11,723	3,013	-	-	18,973	2,834
Loan fees	18,746	-	-	-	-	18,746	19,454
Capital Growth Initiative	10,000	-	-	-	-	10,000	-
	<u>437,358</u>	<u>114,778</u>	<u>9,947</u>	<u>-</u>	<u>1,217</u>	<u>563,300</u>	<u>536,034</u>
EXPENSES							
Salaries and benefits	267,269	-	-	-	-	267,269	305,030
Advertising and promotion	37,361	-	-	-	-	37,361	23,422
Professional, accounting and audit	26,107	-	-	-	-	26,107	28,073
Consultants	24,583	-	-	-	-	24,583	5,729
Utilities	14,542	-	-	-	-	14,542	12,861
Professional development	13,481	-	-	-	-	13,481	938
Repairs and maintenance	11,663	-	-	-	-	11,663	7,461
Travel	8,598	-	-	-	-	8,598	4,664
Board member expenses	7,507	-	-	-	-	7,507	4,112
Office	6,962	-	-	-	-	6,962	10,207
Bank charges and loan costs	484	5,615	-	-	-	6,099	7,639
Loan payout (Note 14)	-	4,840	-	-	-	4,840	-
Property taxes	4,228	-	-	-	-	4,228	3,995
Insurance	1,640	-	-	-	-	1,640	2,400
Sponsorship	1,500	-	-	-	-	1,500	-
Memberships and dues	512	-	-	-	-	512	678
Provision (recovery) for investment losses	(95)	875	2,031	109,187	3,000	114,998	22,704
Forgivable portion	-	-	-	80,000	-	80,000	-
Amortization	13,500	-	-	-	-	13,500	13,524
	<u>439,842</u>	<u>11,330</u>	<u>2,031</u>	<u>189,187</u>	<u>3,000</u>	<u>645,390</u>	<u>453,437</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ (2,484)	\$ 103,448	\$ 7,916	\$ (189,187)	\$ (1,783)	\$ (82,090)	\$ 82,597

See notes to financial statements

COMMUNITY FUTURES CAPITAL REGION

Statement of Changes in Net Assets

Year Ended March 31, 2023

	General Fund 2023	Restricted General 2023	Restricted Disabled 2023	Restricted RRRF 2023	Restricted CGI 2023	Total 2023	Total 2022
NET ASSETS - BEGINNING OF YEAR	\$ 494,539	\$ 1,592,261	\$ 163,286	\$ 3,911,582	\$ -	\$ 6,161,668	\$ 6,382,307
Deficiency of revenues over expenses	(2,484)	103,448	7,916	(189,187)	(1,783)	(82,090)	82,597
Contributions during the year	-	-	-	-	100,000	100,000	150,000
Repayments during the year	-	-	-	(205,000)	-	(205,000)	(453,236)
NET ASSETS - END OF YEAR	\$ 492,055	\$ 1,695,709	\$ 171,202	\$ 3,517,395	\$ 98,217	\$ 5,974,578	\$ 6,161,668

Breakdown of Net Assets
Year Ended March 31, 2023

	General Fund 2023	Restricted General 2023	Restricted Disabled 2023	Restricted RRRF 2023	Restricted CGI 2023	Total 2023	Total 2022
Original contributions	\$ -	\$ 1,187,500	\$ 200,000	\$ 3,706,582	\$ 100,000	\$ 5,194,082	\$ 5,299,082
Earned net assets	492,055	508,209	(28,798)	(109,187)	(1,783)	860,496	862,586
Forgivable portion	-	-	-	(80,000)	-	(80,000)	-
	\$ 492,055	\$ 1,695,709	\$ 171,202	\$ 3,517,395	\$ 98,217	\$ 5,974,578	\$ 6,161,668

COMMUNITY FUTURES CAPITAL REGION

Statement of Cash Flows

Year Ended March 31, 2023

	General Fund 2023	Restricted General 2023	Restricted Disabled 2023	Restricted RRRF 2023	Restricted CGI 2023	Total 2023	Total 2022
OPERATING ACTIVITIES							
Excess (deficiency) of revenues over expenses	\$ (2,484)	\$ 103,448	\$ 7,916	\$ (189,187)	\$ (1,783)	\$ (82,090)	\$ 82,597
Items not affecting cash:							
Amortization of property, plant and equipment	13,500	-	-	-	-	13,500	13,524
Provision (recovery) for investment losses	(95)	875	2,031	109,187	3,000	114,998	22,704
Forgiven portion of loan	-	-	-	80,000	-	80,000	-
	<u>10,921</u>	<u>104,323</u>	<u>9,947</u>	<u>-</u>	<u>1,217</u>	<u>126,408</u>	<u>118,825</u>
Changes in non-cash working capital:							
Accounts and interest receivable	6,029	(5,464)	(2,218)	-	(717)	(2,370)	23,641
Accounts payable	372	(3,061)	-	-	-	(2,689)	(52,905)
Deferred income	-	-	-	-	-	-	(14,798)
Prepaid expenses	133	-	-	-	-	133	19,817
Inter-fund payable (receivable)	19,669	(12,139)	(30)	(7,000)	(500)	-	-
	<u>26,203</u>	<u>(20,664)</u>	<u>(2,248)</u>	<u>(7,000)</u>	<u>(1,217)</u>	<u>(4,926)</u>	<u>(24,245)</u>
Cash flow from (used by) operating activities	<u>37,124</u>	<u>83,659</u>	<u>7,699</u>	<u>(7,000)</u>	<u>-</u>	<u>121,482</u>	<u>94,580</u>
INVESTING ACTIVITIES							
Purchase of property, plant and equipment	(1,732)	-	-	-	-	(1,732)	(8,283)
Repayment of loans and notes receivable	-	503,175	5,974	212,000	-	721,149	770,751
Addition to loans and notes receivable	-	(504,103)	-	-	(100,000)	(604,103)	(1,310,586)
Cash flow from (used by) investing activities	<u>(1,732)</u>	<u>(928)</u>	<u>5,974</u>	<u>212,000</u>	<u>(100,000)</u>	<u>115,314</u>	<u>(548,118)</u>
FINANCING ACTIVITIES							
Contributions during the year	-	-	-	-	100,000	100,000	150,000
Repayments during the year	-	-	-	(205,000)	-	(205,000)	(453,236)
Short term debt	-	(100,000)	-	-	-	(100,000)	100,000
Long term debt	-	-	-	-	-	-	111,154
Cash flow from (used by) financing activities	<u>-</u>	<u>(100,000)</u>	<u>-</u>	<u>(205,000)</u>	<u>100,000</u>	<u>(205,000)</u>	<u>(92,082)</u>

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See notes to financial statements

COMMUNITY FUTURES CAPITAL REGION

Statement of Cash Flows (continued)

Year Ended March 31, 2023

	General Fund 2023	Restricted General 2023	Restricted Disabled 2023	Restricted RRRF 2023	Restricted CGI 2023	Total 2023	Total 2022
INCREASE (DECREASE) IN CASH FLOW	35,392	(17,269)	13,673	-	-	31,796	(545,620)
Cash - beginning of year	281,330	306,706	92,893	-	-	680,929	1,226,549
CASH - END OF YEAR	\$ 316,722	\$ 289,437	\$ 106,566	\$ -	\$ -	\$ 712,725	\$ 680,929

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COMMUNITY FUTURES CAPITAL REGION

Notes to Financial Statements

Year Ended March 31, 2023

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.

The Alberta Women's Economic Recovery - Capital Growth Initiative (CGI) Fund reports restricted resources that are used to provide financial support directly to women entrepreneurs operating small-and-medium sized enterprises. The organization is restricted in the loan applications that can be approved according to its agreement with the Community Futures Network of Alberta.

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.

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COMMUNITY FUTURES CAPITAL REGION

Notes to Financial Statements

Year Ended March 31, 2023

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

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.

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% - 2022) of the rest of the portfolio. 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

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.

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COMMUNITY FUTURES CAPITAL REGION

Notes to Financial Statements

Year Ended March 31, 2023

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

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.

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.

COMMUNITY FUTURES CAPITAL REGION

Notes to Financial Statements

Year Ended March 31, 2023

2. ACCOUNTS RECEIVABLE

Accounts receivable is comprised of

	<u>2023</u>		<u>2022</u>	
Trade receivables	\$	8,924	\$	18,550
GST receivable		1,332		1,892
Loan fees receivable		7,034		2,876
Less: provision for loan fees receivable		<u>(943)</u>		<u>(1,037)</u>
	\$	<u>16,347</u>	\$	<u>22,281</u>

3. ACCRUED INTEREST RECEIVABLE

	Restricted General	Restricted Disabled	Restricted CGI	<u>2023</u>		<u>2022</u>	
Interest in arrears	\$ 30,438	\$ 2,220	\$ 717	\$	33,375	\$	25,009
Less: provision for loan losses	<u>(21,712)</u>	-	-		<u>(21,712)</u>		<u>(21,953)</u>
	\$ 8,726	\$ 2,220	\$ 717	\$	<u>11,663</u>	\$	<u>3,056</u>

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	2023 Net book value	2022 Net book value
Building and land	\$ 503,158	\$ 184,879	\$ 318,279	\$ 326,364
Office furniture and fixtures	63,324	48,274	15,050	16,848
Computer hardware	63,118	62,755	363	2,247
Computer software	2,764	2,764	-	-
	<u>\$ 632,364</u>	<u>\$ 298,672</u>	<u>\$ 333,692</u>	<u>\$ 345,459</u>

COMMUNITY FUTURES CAPITAL REGION

Notes to Financial Statements

Year Ended March 31, 2023

6. INVESTMENT LOANS RECEIVABLE

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

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 3,931,582	\$ 3,216,582
Advances during the year	-	715,000
Repayments during the year	(212,000)	-
Allowance for doubtful loans during the year	(109,187)	-
Forgiven portion during the year	(80,000)	-
	<hr/>	<hr/>
Balance, end of year	\$ 3,530,395	\$ 3,931,582

7. 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, 2023, the organization used \$Nil (\$100,000 in 2022) 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.

8. DEFERRED REVENUE

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

	<u>2023</u>	<u>2022</u>
Young Entrepreneur Training Initiative (YETI)	\$ 3,450	\$ 3,450

9. LONG TERM DEBT

	<u>2023</u>	<u>2022</u>
Community Futures Alberta	\$ 111,154	\$ 111,154

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.

COMMUNITY FUTURES CAPITAL REGION

Notes to Financial Statements

Year Ended March 31, 2023

10. 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
 - Sandra McIntosh, board secretary/treasurer
 - Ron Hanchurak, board director
 - Shannon Elliot, board director

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

	<u>2023</u>		<u>2022</u>
<u>Board and committee expenses and reimbursements</u>			
Board members	\$ 562	\$	-

11. 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 it's investment funds to operating funds (2022 - \$nil).

12. GENERAL FUND NET ASSETS

Included in the general fund net assets is \$333,692 (2022 - \$345,459) that is invested in capital assets.

Draft for discussion purposes only

COMMUNITY FUTURES CAPITAL REGION

Notes to Financial Statements

Year Ended March 31, 2023

13. 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>2023</u>	<u>2022</u>
General	\$ 1,695,709	\$ 1,592,261
Disabled	171,202	163,286
RRRF	3,517,395	3,911,582
CGI	98,217	-
	<u>\$ 5,482,523</u>	<u>\$ 5,667,129</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 project agreement with Community Futures Network of Alberta (CFNA), the Alberta Women's Economic Recovery - Capital Growth Initiative (CGI) is fully repayable upon the repayment of loans from small-and-medium sized enterprises.

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.

14. LOAN PAYOUT

During the 2001 fiscal year, an investment loan had been advanced in which a holdback was required resulting in a Letter of Credit payable. The investment loan was repaid in full during the 2009 fiscal year and the holdback was released during the fiscal year ended March 31, 2023.

COMMUNITY FUTURES CAPITAL REGION

Notes to Financial Statements

Year Ended March 31, 2023

15. COMMITMENTS

As at March 31, 2023, loan investment applications of \$78,000 had been approved by the Board of Directors, of which \$4,409 had been advanced. The remaining amount was advanced subsequent to the year end.

16. ECONOMIC DEPENDENCE

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

17. 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, 2023.

(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

Notes to Financial Statements

Year Ended March 31, 2023

18. INVESTMENT LOANS RECEIVABLE

	Restricted General	Restricted Disabled	Restricted RRRF	Restricted CGI	2023	2022
Loans Receivable	\$ 1,395,325	\$ 67,700	\$ 3,639,582	\$ 100,000	\$ 5,202,607	\$ 5,417,272
Less: allowance for loan impairment	(59,573)	(2,031)	(109,187)	(3,000)	(173,791)	(76,108)
Less: current portion	(207,526)	(13,718)	(20,166)	(8,219)	(249,629)	(218,264)
	<u>\$ 1,128,226</u>	<u>\$ 51,951</u>	<u>\$ 3,510,229</u>	<u>\$ 88,781</u>	<u>\$ 4,779,187</u>	<u>\$ 5,122,900</u>
ALLOWANCE FOR LOAN IMPAIRMENT						
Balance, beginning of year	\$ (76,108)	\$ -	\$ -	\$ -	\$ (76,108)	\$ (138,591)
Provision for loan losses	(22,902)	(2,031)	(109,187)	(3,000)	(137,120)	-
Amounts written off to the allowance	27,108	-	-	-	27,108	43,368
Amounts recovered from the allowance	12,329	-	-	-	12,329	19,115
Balance at end of year	<u>\$ (59,573)</u>	<u>\$ (2,031)</u>	<u>\$ (109,187)</u>	<u>\$ (3,000)</u>	<u>\$ (173,791)</u>	<u>\$ (76,108)</u>
Total recorded investment on impaired loans	<u>\$ 49,794</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,794</u>	<u>\$ 91,678</u>

See notes to financial statements

COMMUNITY FUTURES CAPITAL REGION

RRRF Statement of Financial Position

(Schedule 1)

Year Ended March 31, 2023

	RRRF Operating 2023	Restricted RRRF 2023	Total 2023	Total 2022
ASSETS				
CURRENT				
Inter-fund receivable	\$ 111,154	\$ -	\$ 111,154	\$ 110,941
Current portion of investment loans receivable	-	20,166	20,166	-
	<u>\$ 111,154</u>	<u>\$ 20,166</u>	<u>\$ 131,320</u>	<u>\$ 110,941</u>
INVESTMENT LOANS RECEIVABLE	<u>\$ -</u>	<u>\$ 3,510,229</u>	<u>\$ 3,510,229</u>	<u>\$ 3,931,582</u>
TOTAL ASSETS	<u>\$ 111,154</u>	<u>\$ 3,530,395</u>	<u>\$ 3,641,549</u>	<u>\$ 4,042,523</u>
LIABILITIES				
CURRENT				
Inter-fund payable	\$ -	\$ 13,000	\$ 13,000	\$ 20,000
	<u>\$ -</u>	<u>\$ 13,000</u>	<u>\$ 13,000</u>	<u>\$ 20,000</u>
LONG TERM DEBT	<u>\$ 111,154</u>	<u>\$ -</u>	<u>\$ 111,154</u>	<u>\$ 111,154</u>
TOTAL LIABILITIES	<u>\$ 111,154</u>	<u>\$ 13,000</u>	<u>\$ 124,154</u>	<u>\$ 131,154</u>
NET ASSETS				
Net Assets - beginning of the year	\$ -	\$ 3,911,582	\$ 3,911,582	\$ 4,229,623
Excess of revenues over expenses	-	(189,187)	(189,187)	(15,018)
Contributions during the year	-	-	-	150,000
Repayment during the year	-	(205,000)	(205,000)	(453,236)
TOTAL NET ASSETS	<u>-</u>	<u>3,517,395</u>	<u>3,517,395</u>	<u>3,911,369</u>
TOTAL NET ASSETS AND LIABILITIES	<u>\$ 111,154</u>	<u>\$ 3,530,395</u>	<u>\$ 3,641,549</u>	<u>\$ 4,042,523</u>

COMMUNITY FUTURES CAPITAL REGION

Statement of RRRF Revenues and Expenses

(Schedule 2)

Year Ended March 31, 2023

	RRRF Operating 2023	Restricted RRRF 2023	Total 2023	Total 2022
REVENUES	\$ -	\$ -	\$ -	\$ 20,066
EXPENSES				
Provision (recovery) for investment losses	-	109,187	109,187	-
Forgivable portion	-	80,000	80,000	-
Professional, accounting and audit	-	-	-	6,000
Office	-	-	-	3,768
Travel	-	-	-	66
Salaries and benefits	-	-	-	12,000
Advertising and promotion	-	-	-	13,250
	-	189,187	189,187	35,084
EXCESS OF REVENUES OVER EXPENSES FROM RRRF OPERATIONS	-	(189,187)	(189,187)	(15,018)
	-	-	-	-
LOSS FROM RRRF OPERATIONS	\$ -	\$ (189,187)	\$ (189,187)	\$ (15,018)

Draft for discussion purposes only

COMMUNITY FUTURES CAPITAL REGION
Statement of Program Revenues and Expenditures
Year Ended March 31, 2023

(Schedule 3)

	2023	2022
REVENUES		
Rural Opportunities Funding	\$ 50,000	\$ -
CROP grant	36,795	50,355
Summer entrepreneurial program	12,429	11,037
Cyber security initiative	5,474	-
Canada Summer Jobs grant	4,714	3,900
Community marketing initiative	-	2,500
	109,412	67,792
EXPENDITURES		
Rural Opportunities Funding expenses	50,000	-
CROP grant expenses	48,381	52,157
Summer entrepreneurial program expenses	16,447	9,638
Cyber security initiative expenses	5,474	-
Canada Summer Jobs expenses	4,714	3,900
	125,016	65,695
INCOME (LOSS) FROM OPERATIONS	\$ (15,604)	\$ 2,097

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