

COMMUNITY FUTURES CAPITAL REGION

Financial Statements

Year Ended March 31, 2020

COMMUNITY FUTURES CAPITAL REGION

Index to Financial Statements

Year Ended March 31, 2020

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3 - 4
Statement of General Fund Revenues and Expenses	5
Statement of Loan Investment Fund Revenues and Expenses	6
Statement of Changes in Net Assets	7
Breakdown of Net Assets	7
Statement of Cash Flows	8
Notes to Financial Statements	9 - 16

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, 2020, and the statements of 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, 2020, 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 Canadian accounting standards for not-for-profit organizations, 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 15, 2020

CHARTERED PROFESSIONAL ACCOUNTANTS

COMMUNITY FUTURES CAPITAL REGION

Statement of Financial Position

March 31, 2020

	General Fund 2020	Restricted General 2020	Restricted Disabled 2020	Total 2020	Total 2019
ASSETS					
CURRENT					
Cash	\$ 110,831	\$ 159,949	\$ 69,394	\$ 340,174	\$ 446,493
Term deposits	-	155,188	-	155,188	155,921
Accounts receivable (Note 2)	39,202	-	-	39,202	3,827
Accrued interest receivable (Note 3)	-	11,727	564	12,291	4,343
Prepaid expenses	1,879	-	-	1,879	1,886
Inter-fund receivable (Note 4)	-	11,828	-	11,828	74,692
Current portion of investment loans receivable (Note 6)	-	277,644	8,500	286,144	291,338
	<u>151,912</u>	<u>616,336</u>	<u>78,458</u>	<u>846,706</u>	<u>978,500</u>
PROPERTY AND EQUIPMENT (Net of accumulated amortization) (Note 5)	332,565	-	-	332,565	343,982
LOANS AND NOTES RECEIVABLE (Note 6)	-	841,431	72,110	913,541	785,796
	-	-	-	-	-
	<u>\$ 484,477</u>	<u>\$ 1,457,767</u>	<u>\$ 150,568</u>	<u>\$ 2,092,812</u>	<u>\$ 2,108,278</u>

See notes to financial statements

COMMUNITY FUTURES CAPITAL REGION

Statement of Financial Position

March 31, 2020

	General Fund 2020	Restricted General 2020	Restricted Disabled 2020	Total 2020	Total 2019
LIABILITIES AND NET ASSETS					
CURRENT					
Accounts payable	\$ 11,044	\$ -	\$ -	\$ 11,044	\$ 14,810
Deferred income	24,580	-	-	24,580	41,280
Inter-fund payable (Note 4)	10,398	-	1,430	11,828	74,692
	46,022	-	1,430	47,452	130,782
NET ASSETS (Notes 8, 9)	438,455	1,457,767	149,138	2,045,360	1,977,496
	\$ 484,477	\$ 1,457,767	\$ 150,568	\$ 2,092,812	\$ 2,108,278

ON BEHALF OF THE BOARD

_____ Director
 _____ Director

COMMUNITY FUTURES CAPITAL REGION
Statement of General Fund Revenues and Expenses

Year Ended March 31, 2020

	Total 2020	Total 2019
REVENUE		
Federal contracts	\$ 294,963	\$ 294,963
Crop grant revenue	40,120	-
Loan fees and other	19,431	10,896
Summer entrepreneurial program	15,950	10,900
Open farm days	11,700	9,231
Youth entrepreneur development	8,700	-
Interest	2,078	1,716
Other revenue	377	521
Status of women	-	7,652
Canada Alberta job grant	-	1,667
	393,319	337,546
EXPENSES		
Salaries and benefits	218,283	221,633
Non-wage grant expenses	43,120	10,356
Professional, accounting and audit	25,237	16,149
Youth entrepreneur development expenses	16,400	-
Office	9,064	12,606
Utilities	8,911	11,064
Repairs and maintenance	7,703	9,569
Board member expenses	5,790	9,861
Advertising and promotion	5,752	2,747
Summer entrepreneurial program expenses	5,500	3,000
Travel	4,677	6,675
Property taxes	3,928	3,941
Insurance	2,508	1,241
Provision for investment losses	1,813	617
Professional development	1,623	1,918
Bank charges and loan costs	724	617
Memberships and dues	707	626
Sponsorships	-	800
Community education program	-	2,220
Publications	-	250
Amortization	11,416	12,939
	373,156	328,829
EXCESS OF REVENUES OVER EXPENSES	\$ 20,163	\$ 8,717

COMMUNITY FUTURES CAPITAL REGION
Statement of Loan Investment Fund Revenues and Expenses

Year Ended March 31, 2020

	Restricted General 2020	Restricted Disabled 2020	Total 2020	Total 2019
REVENUE				
Investment interest	\$ 63,904	\$ 3,652	\$ 67,556	\$ 72,878
Bank interest	5,063	2,446	7,509	6,714
CFLIP Revenue	4,624	-	4,624	4,778
Unrealized loss - CFLIP	(5,356)	-	(5,356)	(630)
	68,235	6,098	74,333	83,740
EXPENSES				
Provision for investment losses	26,358	-	26,358	55,434
Bank charges and loan costs	274	-	274	286
	26,632	-	26,632	55,720
EXCESS OF REVENUES OVER EXPENSES	\$ 41,603	\$ 6,098	\$ 47,701	\$ 28,020

COMMUNITY FUTURES CAPITAL REGION

Statement of Changes in Net Assets

Year Ended March 31, 2020

	General Fund 2020	Restricted General 2020	Restricted Disabled 2020	Total 2020	Total 2019
NET ASSETS - BEGINNING OF YEAR	\$ 357,631	\$ 1,402,133	\$ 217,732	\$ 1,977,496	\$ 1,940,759
Excess of revenues over expenses	20,163	41,603	6,098	67,864	36,737
Inter-fund payable (receivable) adjustment	50,661	24,031	(74,692)	-	-
Interest transfer	10,000	(10,000)	-	-	-
NET ASSETS - END OF YEAR	\$ 438,455	\$ 1,457,767	\$ 149,138	\$ 2,045,360	\$ 1,977,496

Breakdown of Net Assets

Year Ended March 31, 2020

	General Fund 2020	Restricted Fund 2020	Restricted Disabled 2020	Total 2020	Total 2019
Original contributions	\$ -	\$ 1,187,500	\$ 200,000	\$ 1,387,500	\$ 1,387,500
Earned net assets	438,455	270,267	(50,862)	657,860	589,996
	\$ 438,455	\$ 1,457,767	\$ 149,138	\$ 2,045,360	\$ 1,977,496

COMMUNITY FUTURES CAPITAL REGION

Statement of Cash Flows

Year Ended March 31, 2020

	General Fund 2020	Restricted General 2020	Restricted Disabled 2020	Total 2020	Total 2019
OPERATING ACTIVITIES					
Excess of revenues over expenses	\$ 20,163	\$ 41,603	\$ 6,098	\$ 67,864	\$ 36,737
Items not affecting cash:					
Amortization of property and equipment	11,416	-	-	11,416	12,939
Provision for investment loss	1,813	26,358	-	28,171	56,051
	<u>33,392</u>	<u>67,961</u>	<u>6,098</u>	<u>107,451</u>	<u>105,727</u>
Changes in non-cash working capital:					
Accounts and interest receivable	(27,180)	(15,304)	(564)	(43,048)	(2,042)
Accounts payable	(3,766)	-	-	(3,766)	(4,808)
Deferred income	(16,700)	-	-	(16,700)	41,280
Inter-fund payable (receivable)	10,398	(11,828)	1,430	-	-
	<u>(37,248)</u>	<u>(27,132)</u>	<u>866</u>	<u>(63,514)</u>	<u>34,430</u>
Cash flow from (used by) operating activities	<u>(3,856)</u>	<u>40,829</u>	<u>6,964</u>	<u>43,937</u>	<u>140,157</u>
INVESTING ACTIVITIES					
Purchase of property and equipment	-	-	-	-	(1,778)
Repayment of loans and notes receivable	-	438,839	4,390	443,229	381,801
Advances to loans and notes receivable	-	(509,218)	(85,000)	(594,218)	(533,416)
Cash flow used by investing activities	<u>-</u>	<u>(70,379)</u>	<u>(80,610)</u>	<u>(150,989)</u>	<u>(153,393)</u>
DECREASE IN CASH FLOW	<u>(3,856)</u>	<u>(29,550)</u>	<u>(73,646)</u>	<u>(107,052)</u>	<u>(13,236)</u>
Cash - beginning of year	114,687	344,687	143,040	602,414	615,650
CASH - END OF YEAR	<u>\$ 110,831</u>	<u>\$ 315,137</u>	<u>\$ 69,394</u>	<u>\$ 495,362</u>	<u>\$ 602,414</u>
CASH CONSISTS OF:					
Cash	\$ 110,831	\$ 159,949	\$ 69,394	\$ 340,174	\$ 446,493
Term deposits	-	155,188	-	155,188	155,921
	<u>\$ 110,831</u>	<u>\$ 315,137</u>	<u>\$ 69,394</u>	<u>\$ 495,362</u>	<u>\$ 602,414</u>

See notes to financial statements

COMMUNITY FUTURES CAPITAL REGION

Notes to Financial Statements

Year Ended March 31, 2020

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 (ASNFPO).

Fund accounting

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

The General Fund accounts for the organization's 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.

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.

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.

Cash and cash equivalents

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

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COMMUNITY FUTURES CAPITAL REGION

Notes to Financial Statements

Year Ended March 31, 2020

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

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% - 2019) of the rest of the portfolio.

Property 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
Computer hardware	33%	declining balance method
Computer software	50%	declining balance method
Office furniture and fixtures	20%	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 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, 2020

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>2020</u>	<u>2019</u>
GST receivable	\$ 537	\$ 1,547
Trade receivables	28,965	500
Loan fees receivable	15,753	6,592
Less: provision for loan fees receivable	<u>(6,053)</u>	<u>(4,812)</u>
	<u>\$ 39,202</u>	<u>\$ 3,827</u>

COMMUNITY FUTURES CAPITAL REGION

Notes to Financial Statements

Year Ended March 31, 2020

3. ACCRUED INTEREST RECEIVABLE

	Restricted General	Restricted Disabled	2020	2019
Interest in arrears	\$ 31,612	\$ 564	\$ 32,176	\$ 23,665
Less: provision for loan losses	(19,885)	-	(19,885)	(19,322)
	<u>\$ 11,727</u>	<u>\$ 564</u>	<u>\$ 12,291</u>	<u>\$ 4,343</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 AND EQUIPMENT

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Building and land	\$ 486,550	\$ 154,793	\$ 331,757	\$ 342,018
Computer hardware	58,174	57,366	808	1,964
Computer software	2,764	2,764	-	-
Office furniture and fixtures	44,477	44,477	-	-
	<u>\$ 591,965</u>	<u>\$ 259,400</u>	<u>\$ 332,565</u>	<u>\$ 343,982</u>

COMMUNITY FUTURES CAPITAL REGION

Notes to Financial Statements

Year Ended March 31, 2020

6. INVESTMENT LOANS RECEIVABLE

	Restricted General	Restricted Disabled	2020	2019
Loans Receivable	\$ 1,248,410	\$ 80,610	\$ 1,329,020	\$ 1,209,475
Less: allowance for loan impairment	(129,335)	-	(129,335)	(132,341)
Less: current portion	(277,644)	(8,500)	(286,144)	(291,338)
	<u>\$ 841,431</u>	<u>\$ 72,110</u>	<u>\$ 913,541</u>	<u>\$ 785,796</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	\$ (132,341)	\$ -	\$ (132,341)	\$ (140,936)
Provision for loan losses	(27,271)	-	(27,271)	(54,593)
Amounts written off to the allowance	30,277	-	30,277	63,188
Balance at end of year	<u>\$ (129,335)</u>	<u>\$ -</u>	<u>\$ (129,335)</u>	<u>\$ (132,341)</u>
Total recorded investment on impaired loans	<u>\$ 266,981</u>	<u>\$ -</u>	<u>\$ 266,981</u>	<u>\$ 276,555</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 6.0% 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, 2020, the organization used \$Nil (\$Nil in 2019) 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. GENERAL FUND NET ASSETS

Included in the general fund net assets is \$332,565 (2019 - \$343,982) that is invested in capital assets.

COMMUNITY FUTURES CAPITAL REGION

Notes to Financial Statements

Year Ended March 31, 2020

9. 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>2020</u>	<u>2019</u>
General	\$ 1,457,767	\$ 1,402,133
Disabled	149,138	217,732
	<u>\$ 1,606,905</u>	<u>\$ 1,619,865</u>

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, 2021.
- g) If this agreement is not renewed beyond the March 31, 2021 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, 2020

10. 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 Hopfauf, board director

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

	<u>2020</u>	<u>2019</u>
<u>Board and committee expenses and reimbursements</u>		
Board members	<u>2,776</u>	<u>5,762</u>
Grand total	<u>\$ 2,776</u>	<u>\$ 5,762</u>

11. ECONOMIC DEPENDENCE

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

12. EXTRAORDINARY EVENTS

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

On March 11, 2020, the COVID-19 outbreak was declared a global pandemic by the World Health Organization.

On March 17, 2020, the Province of Alberta declared a public health emergency.

On March 22, 2020, the Community Futures Capital Region deferred all loan payments for the months of April – June 2020.

On May 13, 2020, Western Economic Diversification Canada announced that the new Regional Relief and Recovery Fund will be delivered via Community Futures across Western Canada to rural businesses that have not qualified for other federal government funding supports.

The estimated impact of payment deferrals for three months has been reflected in the current portion of loans receivable in these financial statements. However, it is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the corporation for future periods beyond three months.

This disclosure assumes there is no significant doubt about the entity's ability to continue as a going concern.

COMMUNITY FUTURES CAPITAL REGION

Notes to Financial Statements

Year Ended March 31, 2020

13. 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, 2020.

(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, long-term debt, obligations under capital leases, contributions to the pension plan, 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