
COMMUNITY FUTURES ELK ISLAND REGION

Financial Statements

Year Ended March 31, 2020



**NCUBE &
LANDRY LLP**

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AUDITOR'S REPORT ON COMPLIANCE WITH AGREEMENT

We have audited the Community Futures Elk Island Region's compliance as at March 31, 2020 with the criteria established in the Contribution Agreement between Western Economic Diversification and the Community Futures Elk Island Region dated March 22, 2018 and the interpretation of the Agreement as set out in the introduction of notes attached. Compliance with the criteria established by the provisions of the agreement is the responsibility of the board of directors of the Community Futures Elk Island Region. My responsibility is to express an opinion on this compliance.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the Community Futures Elk Island Region complied with the criteria established by the provisions of the agreement referred to above. Such an audit includes examining, on a test basis, evidence supporting compliance, evaluating the overall compliance with the agreement, and where applicable, assessing the accounting principles used and significant estimates made by management.

In our opinion, the Community Futures Elk Island Region is in compliance, in all material respect, with the criteria established by the contribution agreement.

Ncube & Landry LLP

Two Hills, Alberta
September 17, 2020

Chartered Professional Accountants

COMMUNITY FUTURES ELK ISLAND REGION

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Year Ended March 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Members of Community Futures Elk Island Region

We have audited the accompanying financial statements of Community Futures Elk Island Region, which comprise the statement of financial position as at March 31, 2020 and the statements of revenues and expenditures, changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Community Futures Elk Island Region as at March 31, 2020 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Ncube & Landry LLP

Two Hills, AB
September 17, 2020

Chartered Professional Accountants

COMMUNITY FUTURES ELK ISLAND REGION

Statement of Financial Position

March 31, 2020

	General Fund	Special project fund	Restricted Non-repayable	Restricted Repayable	Restricted Disabled	Total 2020	Total 2019
ASSETS							
CURRENT							
Cash	\$ 64,657	\$ 938	\$ 390,801	\$ 320,051	\$ 325,638	\$ 1,102,085	\$ 1,343,903
Term deposits	-	-	91,215	-	-	91,215	91,215
Accounts receivable (Note 2)	17,024	-	-	-	-	17,024	15,787
Inter fund receivable (Note 3)	-	54,802	233,727	-	-	288,529	191,239
Interest receivable (Note 4)	-	-	574,841	48,077	2,170	625,088	570,955
Prepaid expenses	1,090	-	-	-	-	1,090	1,100
	82,771	55,740	1,290,584	368,128	327,808	2,125,031	2,214,199
CAPITAL ASSETS (Net) (Note 5)	218,589	10,105	-	-	-	228,694	200,796
LOANS AND NOTES RECEIVABLE	-	-	3,569,558	720,427	8,909	4,298,894	4,093,327
	\$ 301,360	\$ 65,845	\$ 4,860,142	\$ 1,088,555	\$ 336,717	\$ 6,652,619	\$ 6,508,322

COMMUNITY FUTURES ELK ISLAND REGION
Statement of Financial Position
March 31, 2020

	General Fund	Special project fund	Restricted Non-repayable	Restricted Repayable	Restricted Disabled	Total 2020	Total 2019
LIABILITIES AND FUND BALANCES							
CURRENT							
Accounts payable (Note 7)	\$ 19,982	\$ -	\$ 11,425	\$ 8,777	\$ -	\$ 40,184	\$ 36,222
Current portion of long term debt (Note 8)	8,062	-	-	-	-	8,062	7,651
Inter fund payable	188,085	-	-	99,099	1,344	288,528	191,239
Wages payable	5,285	-	-	-	-	5,285	-
	221,414	-	11,425	107,876	1,344	342,059	235,112
LONG TERM DEBT (Note 8)							
	60,827	-	1,300,000	-	-	1,360,827	1,368,618
DEFERRED INCOME							
	29,698	-	-	-	-	29,698	29,606
	311,939	-	1,311,425	107,876	1,344	1,732,584	1,633,336
FUND BALANCES							
Invested in capital assets	149,700	10,105	-	-	-	159,805	124,527
Unrestricted	(160,279)	55,740	-	-	-	(104,539)	(7,766)
Externally restricted	-	-	3,548,717	980,679	335,373	4,864,769	4,758,225
	(10,579)	65,845	3,548,717	980,679	335,373	4,920,035	4,874,986
	(10,579)	65,845	3,548,717	980,679	335,373	4,920,035	4,874,986
	\$ 301,360	\$ 65,845	\$ 4,860,142	\$ 1,088,555	\$ 336,717	\$ 6,652,619	\$ 6,508,322

APPROVED ON BEHALF OF THE BOARD

Director

Director

COMMUNITY FUTURES ELK ISLAND REGION
Statement of Revenues and Expenditures
Year Ended March 31, 2020

	General Account Budget	General Account Actual	Special Projects	Non Repayable Investments	Repayable Investments	Disabled Investments	Total 2020	Total 2019
REVENUES								
Western economic diversification	\$ 294,963	\$ 294,963	\$ -	\$ -	\$ -	\$ -	\$ 294,963	\$ 294,963
Special programs	283,682	304,062	-	-	-	-	304,062	323,488
Service and miscellaneous income	74,700	19,775	-	-	-	-	19,775	34,971
Interest income	-	-	3,359	11,118	2,952	8,466	25,895	19,378
Investment interest	-	-	-	299,975	74,593	1,236	375,804	360,952
	653,345	618,800	3,359	311,093	77,545	9,702	1,020,499	1,033,752
EXPENDITURES								
Salaries, wages and benefits	530,866	550,239	-	-	-	-	550,239	519,157
Supplies	7,200	34,172	-	-	-	-	34,172	24,695
Travel and subsistence - staff	12,260	23,583	-	-	-	-	23,583	26,424
Travel and subsistence - director	12,611	19,330	-	-	-	-	19,330	9,971
Rental	18,000	16,473	-	-	-	-	16,473	16,451
Advertising and promotion	13,400	14,970	-	-	-	-	14,970	17,438
Telephone	8,400	10,941	-	-	-	-	10,941	9,833
Utilities	8,180	8,386	-	-	-	-	8,386	9,340
Business taxes, licenses and memberships	4,868	6,672	-	-	-	-	6,672	8,935
Professional fees	5,000	5,994	-	-	-	-	5,994	5,000
Professional development	7,500	4,800	-	-	-	-	4,800	10,820
Property taxes	4,500	4,645	-	-	-	-	4,645	4,277
Insurance	6,500	4,640	-	-	-	-	4,640	3,325
Interest on long term debt	4,500	4,020	-	46,364	-	-	50,384	52,807
GST expense	-	3,419	-	-	-	-	3,419	11,622
Projects	3,500	3,195	-	-	-	-	3,195	9,642
Credit checks, client expense	2,400	2,126	-	-	-	-	2,126	1,835
Interest and bank charges	-	-	149	2	-	-	151	-
Bad debts	-	-	-	4	-	-	4	-
Write off on loan receivables	-	-	-	-	195,426	-	195,426	309,214
Delivery, freight and express	360	-	-	-	-	-	-	175

(continues)

COMMUNITY FUTURES ELK ISLAND REGION
Statement of Revenues and Expenditures (continued)
Year Ended March 31, 2020

	General Account Budget	General Account Actual	Special Projects	Non Repayable Investments	Repayable Investments	Disabled Investments	Total 2020	Total 2019
	650,045	717,605	149	46,370	195,426	-	959,550	1,050,961
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES FROM OPERATIONS	3,300	(98,805)	3,210	264,723	(117,881)	9,702	60,949	(17,209)
OTHER ITEMS								
Amortization of capital assets	\$ -	\$ (11,861)	\$ (4,039)	\$ -	\$ -	\$ -	\$ (15,900)	\$ (17,719)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 3,300	\$ (110,666)	\$ (829)	\$ 264,723	\$ (117,881)	\$ 9,702	\$ 45,049	\$ (34,928)

COMMUNITY FUTURES ELK ISLAND REGION
Statement of Changes in Fund Balances
Year Ended March 31, 2020

	General Account	Special Projects	Non Repayable Investments	Repayable Investments	Disabled Investments	2020	2019
FUND BALANCES - BEGINNING OF YEAR	\$ 50,087	\$ 66,674	\$ 3,333,994	\$ 1,098,560	\$ 325,671	\$ 4,874,986	\$ 4,909,914
Excess of revenues over expenditures	(110,666)	(829)	264,723	(117,881)	9,702	45,049	(34,928)
Approved fund transfer	50,000	-	(50,000)	-	-	-	-
FUND BALANCES - END OF YEAR	\$ (10,579)	\$ 65,845	\$ 3,548,717	\$ 980,679	\$ 335,373	\$ 4,920,035	\$ 4,874,986

COMMUNITY FUTURES ELK ISLAND REGION

Statement of Cash Flows

Year Ended March 31, 2020

	General fund	Special project	Non repayable	Repayable	Disabled	Total 2020	Total 2019
OPERATING ACTIVITIES							
Excess (deficiency) of revenues	\$ (110,666)	\$ (829)	\$ 264,723	\$ (117,881)	\$ 9,702	\$ 45,049	\$ (34,928)
Items not affecting cash:							
Amortization of capital assets	11,861	4,039	-	-	-	15,900	17,719
Bad debts	-	-	4	-	-	4	-
Write off on loans	-	-	-	195,426	-	195,426	309,214
	(98,805)	3,210	264,727	77,545	9,702	256,379	292,005
Changes in non-cash working capital:							
Accounts receivable	(1,238)	-	-	-	-	(1,238)	22,068
Interest receivable	-	-	(93,137)	39,005	-	(54,132)	(148,082)
Accounts payable	10,111	-	(7,309)	1,160	-	3,962	(3,709)
Deferred income	92	-	-	-	-	92	29,606
Prepaid expenses	10	-	-	-	-	10	-
Wages payable	5,285	-	-	-	-	5,285	-
	14,260	-	(100,446)	40,165	-	(46,021)	(100,117)
Cash flow from operating activities	(84,545)	3,210	164,281	117,710	9,702	210,358	191,888
INVESTING ACTIVITIES							
Purchase of fixed assets	(43,800)	-	-	-	-	(43,800)	-
Repayment of loans and notes receivable	-	-	(475,496)	65,789	8,710	(400,997)	160,633
Addition to loans and notes receivable	-	-	-	-	-	-	(1,214)
Cash flow from (used by) investing activities	(43,800)	-	(475,496)	65,789	8,710	(444,797)	159,419
FINANCING ACTIVITIES							
Interfund transfers	132,538	(11,400)	(85,889)	(35,275)	26	-	-
Long term debt	(7,379)	-	-	-	-	(7,379)	(7,127)
Approved fund transfers	50,000	-	(50,000)	-	-	-	-
Cash flow from (used by) financing activities	175,159	(11,400)	(135,889)	(35,275)	26	(7,379)	(7,127)

(continues)

COMMUNITY FUTURES ELK ISLAND REGION

Statement of Cash Flows (continued)

Year Ended March 31, 2020

	General fund	Special project	Non repayable	Repayable	Disabled	Total 2020	Total 2019
INCREASE (DECREASE) IN CASH FLOW							
Cash - beginning of year	46,814	(8,190)	(447,104)	148,224	18,438	(241,818)	344,180
	17,843	9,128	837,905	171,827	307,200	1,343,903	999,723
CASH - END OF YEAR	\$ 64,657	\$ 938	\$ 390,801	\$ 320,051	\$ 325,638	\$ 1,102,085	\$ 1,343,903

COMMUNITY FUTURES ELK ISLAND REGION

Notes to Financial Statements

Year Ended March 31, 2020

INTRODUCTION TO NOTES

The COMMUNITY FUTURES ELK ISLAND REGION is a community based organization that provides loans and financial services to small businesses that are otherwise unable to obtain financing. The organization is incorporated under the Alberta Companies Act as a non-profit organization. It is exempt from income taxes under the Income Tax Act as a non-profit organization.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFP) and, in management's opinion, with consideration of materiality and within the framework of the following accounting policies:

Fund accounting

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

The General Fund accounts for the organization's operating costs and general revenues. This fund reports unrestricted resources and restricted operating grants.

The Special Projects Fund accounts for the organization's special projects. This fund reports unrestricted resources and restricted operating grants.

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. The organization is restricted in the types of loans that can be made according to its agreement with the federal government.

Cash and cash equivalents

The organizations policy is to present bank balances and term deposits with a maturity period of three months or less from the date of acquisition under cash and cash equivalents.

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is provided on a straight line basis over the assets' estimated lives, which is 5 years. Amortization expense is reported in the General Fund and Special Projects Fund.

Revenue recognition

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

Restricted contributions related to general operations are recognized as revenue of the General Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

Unrestricted contributions are recognized as revenue of the General Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

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COMMUNITY FUTURES ELK ISLAND 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 are classified as held to maturity financial instruments and are recorded at the lower of principle 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 repaired when there is reasonable doubt as to the timely collection of some portion of the principle or interest. This assessment is made by management and the Board of Directors.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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. 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

The organization initially measures its financial assets and financial liabilities at fair value. It subsequently measures all its financial assets and financial liabilities at amortized cost. Changes in the fair value are recognized in the statement of operations.

The financial assets subsequently measured at amortized cost include cash, and accounts receivable. The financial liabilities measured at amortize cost include trade accounts payable and accrued liabilities.

2. ACCOUNTS RECEIVABLE

	2020	2019
General trade receivable	\$ 5,687	\$ 4,164
Receivable from federal government	11,337	11,622
	<u>\$ 17,024</u>	<u>\$ 15,786</u>

3. INTERFUND RECEIVABLE / PAYABLE

The interfund receivable and payables are the amounts that are required to reimburse the other Funds for receipts and disbursements made on their behalf. These internally restricted amounts are not available for any other purpose with out the approval of the board of directors. Interfund amounts bear no interest and are not governed by term of repayment in the year.

COMMUNITY FUTURES ELK ISLAND REGION**Notes to Financial Statements****Year Ended March 31, 2020****4. INTEREST RECEIVABLE**

	2020	2019
Loan interest receivable	\$ 743,666	\$ 606,536
Allowance for doubtful accounts	(118,578)	(35,581)
	<u>\$ 625,088</u>	<u>\$ 570,955</u>

5. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Buildings	\$ 235,500	\$ 19,439	\$ 216,061	\$ 180,351
Computer equipment	74,197	73,677	520	2,156
Computer software	16,597	14,589	2,008	3,347
Furniture and fixtures	81,973	81,973	-	796
Leasehold improvements	20,209	10,104	10,105	14,146
	<u>\$ 428,476</u>	<u>\$ 199,782</u>	<u>\$ 228,694</u>	<u>\$ 200,796</u>

6. INVESTMENT LOANS RECEIVABLE

Outstanding loans to entrepreneurs are interest bearing at floating rates with blended principle and interest repayments. Security is taken on these loans as appropriate to the situation and includes personal guarantees, general security agreements covering business assets and mortgages on land and buildings.

7. ACCOUNTS PAYABLE

	2020	2019
Trade accounts payable	\$ 24,366	\$ 9,871
Excess loan payments payable	-	-
	<u>\$ 24,366</u>	<u>\$ 9,871</u>

8. LONG TERM DEBT

	2020	2019
ATB Financial loan bearing interest at 5.05% per annum, repayable in monthly blended payments of \$950. The loan matures on April 30, 2027 and is secured by Marketable security with a value of \$90000	\$ 68,889	\$ 76,269
	68,889	76,269
Amounts payable within one year	<u>(8,062)</u>	<u>(7,651)</u>

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COMMUNITY FUTURES ELK ISLAND REGION**Notes to Financial Statements****Year Ended March 31, 2020****8. LONG TERM DEBT (continued)**

	2020	2019
	\$ 60,827	\$ 68,618

Principal repayment terms are approximately:

2021	\$ 8,062
2022	8,485
2023	8,930
2024	9,393
2025	9,890
Thereafter	24,129
	<u>\$ 68,889</u>

9. LOANS PAYABLE

The loan payable is a demand loan requiring monthly payments of interest only. Interest is currently at 3.0%

10. ALLOWANCE FOR CREDIT LOSS

An allowance for losses 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:

	Opening balance	Provision for credit losses	Actual write off	Ending balance
Loan investment fund - general	\$ 632,325	\$ -	\$ -	\$ 632,325
Loan investment fund - repayable	67,496	195,426	195,426	67,496
	<u>\$ 699,821</u>	<u>\$ 195,426</u>	<u>\$ 195,426</u>	<u>\$ 699,821</u>

Actual write-offs, net of recoveries, will be deducted from the allowance for credit losses. The provision for credit losses in the statement of income and changes in fund balances is charged with an amount sufficient to keep the balance in the allowance for credit losses adequate to absorb all credit related losses.

11. 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) (a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The association's main credit risk relate to its interest receivable and loans receivable.

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COMMUNITY FUTURES ELK ISLAND REGION

Notes to Financial Statements

Year Ended March 31, 2020

11. FINANCIAL INSTRUMENTS *(continued)*

(b) 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 association's main interest rate risk involves the loans receivable and loans payable.

12. EXTERNALLY RESTRICTED NET ASSETS

Major categories of externally imposed restrictions on net assets are as follows:

	2020	2019
General	\$ 3,548,717	\$ 3,333,994
Conditionally repayable fund	980,679	1,098,560
Conditionally repayable disabled fund	335,373	325,671
	<u>\$ 4,864,769</u>	<u>\$ 4,758,225</u>

Loan investment funds restricted to loans and equity investments to entrepreneurs

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 \$700,000 that are repayable if any of the following conditions occur:

1. The Conditionally Repayable Investment Fund is not administered according to the terms and conditions specified in the Agreement; or
 2. Based on review and evaluation of the operations and the Conditionally Repayable Investment Funds of the Corporation, The Conditionally Repayable Investment Fund is not providing satisfactory level of benefits in terms of employment creation, the development of SME's, and strengthening of the western Canadian economy; or
 3. In the opinion of the Minister, the Conditionally Repayable Fund is no longer necessary or relevant to the development of the western Canadian economy; or
 4. The Agreement is terminated as described in Section 7 of the agreement; or
 5. An event of default occurs, as described in Section 7 of the agreement; or
 6. The Minister does not approve terms and conditions to extend the Project beyond the Completion Date or the Corporation does not agree to extend the Project beyond the Completion Date of March 31, 2020.
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COMMUNITY FUTURES ELK ISLAND REGION

Notes to Financial Statements

Year Ended March 31, 2020

13. LOCAL AUTHORITIES PENSION PLAN

Employees of the Community Futures Elk Island Region participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The LAPP is financed by employer and employee contributions and investment earnings of the LAPP Fund.

Contributions for current service are recorded as expenditures in the year in which they become due.

Total current service contributions by the Organization to the LAPP in 2019-20 were \$32,308.

At December 31, 2019, the LAPP disclosed an actuarial surplus of \$4.5 billion.

14. ECONOMIC DEPENDENCE

The organization receives 95% of its operating revenues from federal, provincial and municipal governments and is economically dependent upon them.
