

COMMUNITY FUTURES LAKELAND
FINANCIAL STATEMENTS
FOR THE YEAR ENDING MARCH 31, 2022

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JMD Group LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

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INDEPENDENT PRACTITIONER'S REASONABLE ASSURANCE REPORT ON COMPLIANCE

To Prairies Economic Development Canada:

We have undertaken a reasonable assurance engagement of Community Futures Lakeland's compliance during the period April 1, 2021 to March 31, 2022, with the requirements set out in the Contribution Agreement between Prairies Economic Development Canada and Community Futures Lakeland dated March 3, 2022.

Management's Responsibility

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

Our Responsibility

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

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

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

Our Independence and Quality Control

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

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

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Opinion

In our opinion, Community Futures Lakeland complied with the specified requirements set out in the Contribution Agreement during the period April 1, 2021 to March 31, 2022, in all significant respects.

We do not provide a legal opinion on Community Futures Lakeland's compliance with the specified requirements.

Restriction on Distribution and Use of Our Report

Our report is intended solely for Community Futures Lakeland and Prairies Economic Development Canada and should not be distributed to or used by parties other than Community Futures Lakeland or Prairies Economic Development Canada.

St. Paul, Alberta
June 29, 2022

A handwritten signature in black ink, appearing to read "J.D. Group LLP". The signature is stylized and cursive.

Chartered Professional Accountants

INDEPENDENT AUDITOR'S REPORT

To the Members of Community Futures Lakeland

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Community Futures Lakeland, which comprise the statement of financial position as at March 31, 2022, and the statements of operations, changes in fund balances, and cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies and other explanatory information, and a schedule of operating expenses.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Community Futures Lakeland as at March 31, 2022, and its operations, changes in fund balances, and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

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 Community Futures Lakeland in accordance with the 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 those 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 misstatements, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing Community Futures Lakeland's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate Community Futures Lakeland or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Community Futures Lakeland financial reporting process.

Auditor's Responsibility 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 the 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 Community Futures Lakeland'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 Community Futures Lakeland'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 disclosure 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 Community Futures Lakeland 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.

St. Paul, Alberta
June 29, 2022



Chartered Professional Accountants

COMMUNITY FUTURES LAKELAND
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2022

	Operating Funds		Loan Investment Funds				RRRF	2022	2021
	General	RRRF	Non-Repayable	Repayable	Disabled	RRRF			
ASSETS									
Current assets									
Cash in bank	\$ 38,121	\$ --	\$ 584,505	\$ 303,898	\$ 227,019	\$ 96,051	\$ 1,249,594	\$ 928,995	
GST receivable	2,840	--	--	--	--	--	2,840	3,682	
Accounts receivable	--	--	--	--	--	--	--	17,128	
Due from investment funds	1,592	--	--	--	--	--	1,592	15,442	
Prepaid expenses	9,964	--	--	--	--	--	9,964	8,540	
Current portion of investment loans	--	--	<u>195,954</u>	<u>97,273</u>	<u>33,569</u>	--	<u>326,796</u>	<u>321,025</u>	
	52,517	--	780,459	401,171	260,588	96,051	1,590,786	1,294,812	
Long term investments (note 3)	2,746	--	844,187	732,750	--	--	1,579,683	1,722,205	
Capital assets (note 4)	3,788	4,792	--	--	--	--	8,580	12,832	
Investment loans receivable (notes 5-7)	--	--	906,379	146,674	74,799	--	1,127,852	1,185,775	
Loans receivable – RRRF (note 5, 10)	--	--	--	--	--	<u>2,027,884</u>	<u>2,027,884</u>	<u>2,039,980</u>	
	<u>\$ 59,051</u>	<u>\$ 4,792</u>	<u>\$ 2,531,025</u>	<u>\$ 1,280,595</u>	<u>\$ 335,387</u>	<u>\$ 2,123,935</u>	<u>\$ 6,334,785</u>	<u>\$ 6,255,604</u>	
LIABILITIES AND FUND BALANCES									
Current liabilities									
Payables and accrued liabilities	\$ 39,084	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 39,084	\$ 34,512	
Government remittances	5,456	--	--	--	--	--	5,456	4,262	
Due to (from) general fund	--	--	1,970	1,860	525	(2,763)	1,592	15,442	
Due to (from) investment funds	--	--	(50)	--	--	50	--	--	
Deferred revenue (note 8)	26,941	--	--	4,046	--	58,763	89,750	35,794	
Loans repayable – RRRF (note 10)	--	--	--	--	--	<u>40,001</u>	<u>40,001</u>	<u>144,304</u>	
	71,481	--	1,920	5,906	525	96,051	175,883	234,314	
Loans repayable – RRRF (note 10)	--	--	--	--	--	<u>2,027,884</u>	<u>2,027,884</u>	<u>2,039,980</u>	
	<u>71,481</u>	<u>--</u>	<u>1,920</u>	<u>5,906</u>	<u>525</u>	<u>2,123,935</u>	<u>2,203,767</u>	<u>2,274,294</u>	
Fund balances									
Invested in capital assets	3,788	4,792	--	--	--	--	8,580	12,832	
Externally restricted (note 9)	--	--	2,529,105	1,274,689	334,862	--	4,138,656	3,984,419	
Unrestricted	(16,218)	--	--	--	--	--	(16,218)	(15,941)	
	(12,430)	4,792	<u>2,529,105</u>	<u>1,274,689</u>	<u>334,862</u>	--	<u>4,131,018</u>	<u>3,981,310</u>	
	<u>\$ 59,051</u>	<u>\$ 4,792</u>	<u>\$ 2,531,025</u>	<u>\$ 1,280,595</u>	<u>\$ 335,387</u>	<u>\$ 2,123,935</u>	<u>\$ 6,334,785</u>	<u>\$ 6,255,604</u>	

Approved on Behalf of The Board: B. Rossman Chairman A. Hobart Treasurer

COMMUNITY FUTURES LAKELAND
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2022

	Operating Funds		Loan Investment Funds		RRRF	2022	2021
	General	RRRF	Non-Repayable	Repayable	Disabled	RRRF	
Revenue							
Federal contracts	\$ 294,963	\$ 6,577	\$ --	\$ --	\$ --	\$ --	\$ 415,338
Investment interest	--	--	96,481	27,761	6,571	--	125,104
Special projects & other revenue	37,240	--	--	--	--	--	17,006
Bank interest	54	--	713	282	80	--	3,242
CFLIP investment income	--	--	20,568	15,025	--	--	--
CFLIP unrealized gains	--	--	13,468	8,075	--	--	--
	<u>332,257</u>	<u>6,577</u>	<u>131,230</u>	<u>51,143</u>	<u>6,651</u>	<u>--</u>	<u>560,690</u>
Expenses							
Operating expenses							
(schedule)	372,955	10,408	--	--	--	--	457,953
Provision for (recovery of)							
investment losses	--	--	(17,877)	12,664	--	--	162,257
	<u>372,955</u>	<u>10,408</u>	<u>(17,877)</u>	<u>12,664</u>	<u>--</u>	<u>--</u>	<u>620,210</u>
Excess (deficiency) of revenue over expenses	<u>\$ (40,698)</u>	<u>\$ (3,831)</u>	<u>\$ 149,107</u>	<u>\$ 38,479</u>	<u>\$ 6,651</u>	<u>\$ --</u>	<u>\$ (59,520)</u>

COMMUNITY FUTURES LAKELAND
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2022

	Operating Funds		Loan Investment Funds			RRRF	Disabled	RRRF	2022	2021
	General	RRRF	Non-Repayable	Repayable	Disabled					
Equity in capital assets, beginning of year	\$ 5,644	\$ 7,188	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 12,832	\$ 8,086
Purchase of capital assets	--	--	--	--	--	--	--	--	--	7,188
Amortization	(1,856)	(2,396)	--	--	--	--	--	--	(4,252)	(2,442)
Proceeds from sale of capital assets	--	--	--	--	--	--	--	--	--	--
Gain (loss) on sale of capital assets	--	--	--	--	--	--	--	--	--	--
Equity in capital assets, end of year	<u>3,788</u>	<u>4,792</u>	--	--	--	--	--	--	<u>8,580</u>	<u>12,832</u>
Externally restricted funds, beginning of year	--	--	2,415,598	1,240,610	328,211	--	--	--	3,984,419	4,058,398
Excess (deficiency) of revenue over expenses	--	--	149,107	38,479	6,651	--	--	--	194,237	(33,979)
Interfund transfer (note 12)	--	--	(35,600)	(4,400)	--	--	--	--	(40,000)	(40,000)
Externally restricted funds, end of year	<u>--</u>	<u>--</u>	<u>2,529,105</u>	<u>1,274,689</u>	<u>334,862</u>	--	--	--	<u>4,138,656</u>	<u>3,984,419</u>
Unrestricted funds, beginning of year	(17,376)	1,435	--	--	--	--	--	--	(15,941)	(25,654)
Excess (deficiency) of revenue over expenses	(40,698)	(3,831)	--	--	--	--	--	--	(44,529)	(25,541)
Purchase of capital assets	--	--	--	--	--	--	--	--	--	(7,188)
Amortization	1,856	2,396	--	--	--	--	--	--	4,252	2,442
Proceeds from sale of capital assets	--	--	--	--	--	--	--	--	--	--
Loss (gain) on sale of capital assets	--	--	--	--	--	--	--	--	--	--
Interfund transfer (note 12)	40,000	--	--	--	--	--	--	--	40,000	40,000
Unrestricted funds, end of year	<u>(16,218)</u>	<u>4,792</u>	<u>2,529,105</u>	<u>1,274,689</u>	<u>334,862</u>	--	--	--	<u>(16,218)</u>	<u>(15,941)</u>
	<u>\$ (12,430)</u>	<u>\$ 4,792</u>	<u>\$ 2,529,105</u>	<u>\$ 1,274,689</u>	<u>\$ 334,862</u>	<u>\$ --</u>	<u>\$ 334,862</u>	<u>\$ --</u>	<u>\$ 4,131,018</u>	<u>\$ 3,981,310</u>

COMMUNITY FUTURES LAKELAND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2022

	Operating Funds		Loan Investment Funds			2022	2021
	General	RRRF	Non-Repayable	Repayable	Disabled	RRRF	
Operating Activities							
Federal contracts	\$ 297,726	\$ 6,577	\$ --	\$ --	\$ --	\$ 304,303	\$ 386,759
Investment interest	--	--	96,019	33,224	6,560	135,803	130,527
Special projects and other income	42,101	--	--	--	--	42,101	44,323
Bank interest	14	--	562	132	80	838	6,670
Salaries and benefits	(215,448)	--	--	--	--	(215,448)	(221,999)
Materials and services	(151,691)	(6,577)	--	--	--	(158,268)	(237,894)
	<u>(27,298)</u>	--	<u>96,581</u>	<u>33,356</u>	<u>6,640</u>	<u>109,329</u>	<u>108,386</u>
Investing Activities							
Purchase of capital assets	--	--	--	--	--	--	(7,188)
CFLIP investments redeemed	--	--	200,000	--	--	200,000	--
CFLIP investments purchased	--	--	--	--	--	--	(1,699,500)
	<u>--</u>	<u>--</u>	<u>200,000</u>	<u>--</u>	<u>--</u>	<u>200,000</u>	<u>(1,706,688)</u>
Financing Activities							
Investment loan advances	--	--	(238,105)	(88,000)	(30,000)	(356,105)	(16,631)
Investment loan repayments	--	--	262,585	117,268	35,825	547,774	546,802
RRRF loans issued	--	--	--	--	--	(120,000)	(2,060,000)
RRRF funding (net of repayments)	--	--	--	--	--	40,000	2,196,000
Repayments made to CFNA	--	--	--	--	--	(100,399)	(11,716)
Interfund transfer (note 12)	54,501	--	(45,700)	(8,800)	--	--	--
	<u>54,501</u>	<u>--</u>	<u>(21,220)</u>	<u>20,468</u>	<u>5,825</u>	<u>11,270</u>	<u>654,455</u>
Net increase (decrease) in cash	27,203	--	275,361	53,824	12,465	320,599	(943,847)
Cash, beginning of year	10,918	--	309,144	250,074	214,554	928,995	1,872,842
Cash, end of year	<u>\$ 38,121</u>	<u>\$ --</u>	<u>\$ 584,505</u>	<u>\$ 303,898</u>	<u>\$ 227,019</u>	<u>\$ 1,249,594</u>	<u>\$ 928,995</u>

COMMUNITY FUTURES LAKELAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2022

Purpose of the Organization

Community Futures Lakeland is a community-based organization that provides loans and financial services to small businesses that are otherwise unable to obtain financing. The corporation 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. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant policies:

a) Fund accounting

The organization follows the restricted fund method of accounting for contributions and uses the following funds:

The Operating Funds are used to account for all revenues and expenses related to program delivery and administrative activities. These funds report unrestricted resources and restricted operating grants.

The Non-Repayable Investment Fund is used to account for non-repayable investment funds the organization received from Prairies Economic Development Canada to be used for loans, loan guarantees, and equity investments in new businesses or expansion of an existing business.

The Conditionally Repayable Investment Fund is used to account for repayable investment funds the organization received from Prairies Economic Development Canada to be used for loans, loan guarantees, and equity investments in new businesses or expansion of an existing business.

The Entrepreneurs with Disabilities Fund is used to account for repayable investment funds the organization received from Prairies Economic Development Canada to be used for loans, loan guarantees, and equity investments in businesses owned by person with disabilities.

The Regional Relief and Recovery Fund (RRRF) is used to account for repayable investments funds the organization received via Community Futures Network of Alberta to provide loans for small and medium-sized enterprises to enable their recovery from economic disruptions caused by the COVID-19 pandemic.

b) Financial Instruments

The organizations financial instruments consist of cash, receivables, payables and accrued liabilities and loans payable. All financial instruments are initially recognized at fair value and subsequently measured at amortized cost. Transaction costs and financial fees associated with financial instruments carried at amortized cost are recorded as adjustments to the initial fair value recognized and amortized over the life of the financial instrument.

COMMUNITY FUTURES LAKELAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2022

1. Significant Accounting Policies (continued)

c) Cash and cash equivalents

The organization includes cash on hand and amounts held by financial institutions in operating accounts in the determination of cash and cash equivalents.

d) Long Term Investments

Investments for which there are quoted prices in an active market are carried at fair value. Unrealized gains or losses are reported in revenue. Investments for which there is not an active market are carried at amortized cost except when it is established that their value is impaired.

e) Capital Assets

Purchased capital assets are recorded at cost. Amortization is provided on a straight-line basis over the assets estimated useful lives which are as follows:

Leasehold improvements	3 years
Office furniture	10 years
Office equipment	5 years
Computer equipment	3 years

No amortization is taken in the year of acquisition except for leasehold improvements which are amortized over the term of the lease. Amortization is recorded in the operating funds.

f) Revenue Recognition

Restricted contributions related to general operations are recognized as revenue of the operating 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 operating fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income includes interest income as well as realized and unrealized investment gains and losses. Unrealized gains and losses on financial assets are recognized as revenue in the statement of operations, deferred or reported directly in net assets depending on the nature of any external restrictions imposed on the investment income.

Special projects and other revenue are recognized as revenue when received or receivable, once the service is provided.

COMMUNITY FUTURES LAKELAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2022

1. Significant Accounting Policies (continued)

g) Impaired loans and allowances for loan impairment

Loans receivable are classified as impaired when, in the opinion of management, there is reasonable doubt as to the timely collection of principal and interest. The carrying amount of a loan receivable classified as impaired is reduced to its estimated fair value.

The allowance for loan impairment is maintained at a level considered adequate to absorb the credit losses existing in the organization's portfolio. It reflects management's best estimate of losses existing in the loan portfolio at the statement of financial position date. The allowance is increased by an annual provision for credit losses, which is charged against income and reduced by write-offs, net of recoveries.

h) Measurement Uncertainty

The preparation of financial statements in accordance 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Such estimates include the amortization of capital assets and the provision for loan losses. These estimates are reviewed periodically and as adjustments become necessary, they are reported as earnings in the period in which they become known.

i) Contributed Services

Volunteers contribute many hours annually to assist the Corporation in carrying out specific activities. Because of the difficulty in determining fair value, contributed services are not recognized in the financial statements.

2. Economic Dependence

The organization received 88.9% (2021 – 96.1%) of its operating revenue from the federal government and is economically dependent on these revenues.

3. Long-Term Investments

Long-term investments consist of Credit Union Equity of \$23,047 (2021 – \$22,705) and Community Futures Lending and Investment Pool (C-Flip) Investments of \$1,556,636 (2021 – \$1,699,500). The C-Flip Investments are funds administered by the Recordkeeper Inc. and managed by Royal Trust. Of the invested funds 50% are available to be lent back to Community Development Corporations with the remaining funds invested in money market funds.

COMMUNITY FUTURES LAKELAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2022

4. Capital Assets

	2022			2021
	Cost	Accumulated Amortization	NBV	NBV
Leasehold improvements	\$ 74,116	\$ 74,116	\$ --	\$ --
Office furniture	18,713	14,925	3,788	4,830
Office equipment	11,872	11,872	--	--
Computer equipment	32,734	32,734	--	814
Computer equipment (RRRF)	<u>7,188</u>	<u>2,396</u>	<u>4,792</u>	<u>7,188</u>
	<u>\$ 144,623</u>	<u>\$ 136,043</u>	<u>\$ 8,580</u>	<u>\$ 12,832</u>

5. Investment Loans Receivable

Outstanding loans to entrepreneurs are interest bearing at fixed rates varying from 5% to 9% with monthly blended principal and interest repayments amortized for terms between twelve months and sixty months. Security is taken on these loans as appropriate to the situation and includes personal guarantees, general security agreements covering business assets, assignment of insurance and mortgages on land and buildings.

At March 31, 2022, the corporation had approved additional loans totalling \$316,841 (2021- Nil) pending certain conditions.

At yearend, the corporation had a non-repayable loan with a balance outstanding of more than \$150,000. At March 31, 2022 the balance outstanding on this loan was \$261,483.

The RRRF loans of up to \$60,000 each, were provided to businesses to finance qualifying expenses during COVID-19. The loans are non-interest bearing, with no scheduled payments until December 31, 2023. If the balance has been repaid by that date, 25% of the first \$40,000 and 50% of any additional amounts up to \$60,000 will be forgiven. If the full amount of the loan has not been repaid by December 31, 2023, the full outstanding balance of the loan will be converted to a 4% interest bearing loan to be repaid in monthly instalments over a two year period ending December 31, 2025.

These loans were financed via the conditionally repayable loan from Community Futures Network of Alberta (note 10).

6. Impaired Loans

Impaired loans and the related allowance for credit losses are as follows:

	Gross Amount	General Allowance	Specific Allowance	Carrying Value 2022	2021
Loans to small business	\$ <u>794,257</u>	\$ <u>--</u>	\$ <u>389,988</u>	\$ <u>404,269</u>	\$ <u>563,381</u>

COMMUNITY FUTURES LAKELAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2022

7. Allowance for Credit Losses

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:

	2021 Ending Balance	Write offs (net of Recoveries)	Provision for Credit Losses	2022 Ending Balance
Loan Investment Fund - Non-repayable	\$ 565,755	\$ 290,878	\$ (17,877)	\$ 257,000
Loan Investment Fund - Repayable	155,169	34,845	12,664	132,988
Loan Investment Fund - Disability	--	--	--	--
	<u>\$ 720,924</u>	<u>\$ 325,723</u>	<u>\$ (5,213)</u>	<u>\$ 389,988</u>

8. Deferred Revenue

The organization received funding that relates to the subsequent year and is therefore deferred. Deferred funding consists of the following:

	<u>2022</u>	<u>2021</u>
Beautification Funds	\$ 8,289	\$ --
Beautification Loan Interest	4,046	--
Business Resiliency	10,452	10,794
Incubator	8,200	10,000
Alberta I-Market	--	15,000
RRRF Operating Funds	<u>58,763</u>	<u>--</u>
	<u>\$ 89,750</u>	<u>\$ 35,794</u>

9. Externally Restricted Funds

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

	<u>2022</u>	<u>2021</u>
Non-Repayable Investment	\$ 2,529,105	\$ 2,415,598
Repayable Investment	1,274,689	1,240,610
Disabled Investment	<u>334,862</u>	<u>328,211</u>
	<u>\$ 4,138,656</u>	<u>\$ 3,984,419</u>

The regular repayable and disabled net assts include the following restricted funds:

- (a) Prior to Prairies Economic Development Canada, the Government of Canada had made past contributions totaling \$200,000 to the Disabled Repayable Investment Fund.
- (b) Prior to Prairies Economic Development Canada, the Government of Canada had made past contributions totaling \$675,000 to the Regular Repayable Investment Fund.

COMMUNITY FUTURES LAKELAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2022

9. Externally Restricted Funds (continued)

Under the agreement with the Government of Canada, these two investment funds are conditionally repayable in the event that any of the following conditions occur:

1. the funds are not administered according to the terms and conditions specified in the agreement;
2. the funds are 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;
3. in the opinion of the Minister, the funds are no longer necessary or relevant to the development of the Western Canadian economy;
4. the agreement is terminated per the termination specifications in the agreement;
5. an event of default occurs as described in the agreement; or
6. the Minister does not approve terms and conditions to extend the project beyond March 31, 2026.

Upon notice by the Minister, the Organization agrees to immediately:

- 1) repay the lesser of:
 - i) the uncommitted cash balance of the Conditionally Repayable Investment Funds; or
 - ii) the total amount paid by Prairies Economic Development Canada to the Organization for the establishment and maintenance of the Conditionally Repayable Investment Fund;
- 2) take steps to assign all of its interest in all debts owing to it, to the Minister; and
- 3) liquidate all debts owing to it via sale to a third party satisfactory to the Minister and to remit proceeds of liquidation to the Minister.

The amount repaid under 1 through 3 above are limited to the total amounts paid by Prairies Economic Development Canada to the organization for the establishment and maintenance of the Conditionally Repayable Investment Funds.

It is management's position that none of the conditions noted above existed at March 31, 2022.

10. Loans Receivable – RRRF and Loans Repayable - RRRF

As at March 31, 2022, \$2,180,000 has been used to fund RRRF loans. The balance due to Community Futures Network of Alberta (CFNA) is non-interest bearing with no payments due until after December 31, 2023. Any loan payments received to that date will be remitted regularly to CFNA. After that time, the remaining loan continues to be non-interest bearing and will be repayable in monthly instalments over a two-year period ending December 31, 2025. The balance to be repaid will be reduced to the extent that the loans receivable are forgiven (note 5) and by any loans that are not collectible and costs associated with attempts to collect loans in arrears.

COMMUNITY FUTURES LAKELAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2022

10. Loans Receivable – RRRF and Loans Repayable – RRRF (continued)

	<u>2022</u>	<u>2021</u>
Loans receivable & repayable, beginning of the year	\$ 2,039,980	\$ --
RRRF loans issued	120,000	2,060,000
Payments received	<u>(132,096)</u>	<u>(20,020)</u>
Loans receivable & repayable, end of year	\$ <u>2,027,884</u>	\$ <u>2,039,980</u>

11. Lease Commitments

The organization has signed a three-year lease for office space and has leased office equipment with the following annual minimum lease payments:

	<u>Rent</u>	<u>Equipment</u>
2023	\$ 26,275	\$ 4,333
2024	--	285
2025	--	285
2026	--	285
2027	--	71

12. Inter Fund Transfers

Approved interest transfers:
2021/22

\$ 40,000

The 2021/2022 approved interest transfer was paid to operations during the year (\$4,400 from the repayable fund and \$35,600 from the non-repayable fund).

During the year the RRRF loan fund repaid the operating fund \$1 for an amount owing from the prior year.

The balance of the 2020/2021 interest transfer was also paid during the year (\$4,400 from the repayable fund and \$10,100 from non-repayable fund).

COMMUNITY FUTURES LAKE LAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2022

13. Non-Balance Sheet Items

To meet the needs of its clients and fulfill its purpose, the investment funds participate in various non-balance sheet instruments which these financial statements do not fully reflect. These instruments are subject to the investment funds normal credit and financial procedures and consist of:

- i) Loan guarantees which represent irrevocable assurances that the investment funds will pay if a client cannot meet his obligations to a third party; and
- ii) Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans.

As at March 31, the investment fund had the following amounts outstanding:

	<u>2022</u>	<u>2021</u>
Letters of credit	\$ 18,100	\$ 18,100
Commitments to extend credit	29,404	155,000

14. Financial Instruments

a) Credit risk

Credit risk arises from the potential that the entities to which the organization provides financing may experience difficulties and be unable to fulfill their obligations. The organization is exposed to credit risk on the loans receivable from its clients. In order to reduce such risk, the organization has adopted extensive credit and approval policies that include the regular review of client accounts and credit worthiness. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts.

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 policy of setting loan terms of less than 60 months.

c) Liquidity risk

The organizations exposure to liquidity risk is dependent on the collection of accounts receivable and obligations or raising of funds to meet commitments and sustain operations. The organization controls liquidity risk by management of working capital, cash flows and the availability of borrowing facilities.

COMMUNITY FUTURES LAKELAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2022

14. Financial Instruments (continued)

d) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is minimal.

e) Currency risk

It is management's opinion that the organization is not exposed to significant currency risk arising from its financial instruments as they are all in Canadian dollars.

15. Comparative Figures

Certain of the 2021 comparative figures have been reclassified to conform to the current years financial statement presentation.

16. Continuing Economic Event

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

Management is uncertain of the effects this economic event will have on its financial statements as there is uncertainty about the length of this pandemic.

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

COMMUNITY FUTURES LAKELAND
SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED MARCH 31, 2022

Operating expenses	Operating Fund		<u>2022</u>	<u>2021</u>
	<u>General</u>	<u>RRRF</u>		
Salaries and benefits	\$ 215,211	\$ --	\$ 215,211	\$ 225,255
Office rent and utilities	49,527	--	49,527	44,501
Special projects	30,320	--	30,320	78,099
Professional fees	13,437	2,050	15,487	16,827
Contract services	9,117	3,696	12,813	19,516
Office supplies	8,054	515	8,569	11,720
Conferences/workshops	6,728	1,435	8,163	3,178
Information technology	5,861	--	5,861	3,377
Equipment rental	5,725	--	5,725	5,690
Telephone and internet	4,700	--	4,700	7,779
Maintenance and repairs	4,436	--	4,436	5,825
Amortization expense	1,856	2,396	4,252	2,442
Advertising and promotion	3,324	316	3,640	19,302
Memberships	3,570	--	3,570	3,311
Insurance	2,949	--	2,949	2,489
Board member expenses	2,908	--	2,908	2,599
Staff travel	2,173	--	2,173	1,340
Bank charges	1,370	--	1,370	1,903
Meeting expenses	1,240	--	1,240	2,211
Postage and delivery	<u>449</u>	<u>--</u>	<u>449</u>	<u>589</u>
	<u>\$ 372,955</u>	<u>\$ 10,408</u>	<u>\$ 383,363</u>	<u>\$ 457,953</u>