

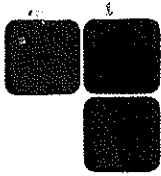
**COMMUNITY FUTURES LAKELAND**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDING MARCH 31, 2023**

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# **JMD Group LLP**

CHARTERED PROFESSIONAL ACCOUNTANTS

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\*Denotes Professional Corporation

## 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, 2022 to March 31, 2023, 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, 2022 to March 31, 2023, 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 28, 2023

  
Chartered Professional Accountants

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## INDEPENDENT AUDITOR'S REPORT

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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, 2023, 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, 2023, 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 28, 2023

  
Chartered Professional Accountants

COMMUNITY FUTURES LAKELAND  
STATEMENT OF FINANCIAL POSITION  
AS AT MARCH 31, 2023

	Operating Funds		Loan Investment Funds			RRRF	2023	2022
	General	RRRF	Non-Repayable	Repayable	Disabled			
<b>Current assets</b>								
Cash in bank	\$ 80,489	\$ --	\$ 604,873	\$ 309,975	\$ 83,120	\$ 118,133	\$ 1,196,590	\$ 1,249,594
GST receivable	6,282	--	--	--	--	--	6,282	2,840
Short term investments (note 3)	--	--	845,614	732,631	--	--	1,578,245	1,556,636
Due from investment funds	7,365	--	--	--	--	--	7,365	1,592
Prepaid expenses	15,413	--	--	--	--	--	15,413	9,964
Current portion of investment loans	--	--	212,774	117,702	47,901	--	378,377	326,796
Current portion of loans receivable	<u>12,085</u>	--	--	--	--	--	<u>12,085</u>	--
	121,634	--	1,663,261	1,160,308	131,021	118,133	3,194,357	3,147,422
<b>Long term investments (note 4)</b>	2,842	--	10,506	10,505	--	--	23,853	23,047
<b>Capital assets (note 5)</b>	113,510	2,396	--	--	--	--	115,906	8,580
<b>Investment loans receivable (notes 6-8)</b>	--	--	914,791	159,135	222,827	--	1,296,753	1,127,852
<b>Loans receivable (note 6, note 12)</b>	<u>63,399</u>	--	--	--	--	<u>1,765,570</u>	<u>1,828,969</u>	<u>2,027,884</u>
	<u>\$ 301,385</u>	<u>\$ 2,396</u>	<u>\$ 2,588,558</u>	<u>\$ 1,329,948</u>	<u>\$ 353,848</u>	<u>\$ 1,883,703</u>	<u>\$ 6,459,838</u>	<u>\$ 6,334,785</u>

**LIABILITIES AND FUND BALANCES**

<b>Current liabilities</b>								
Payables and accrued liabilities (note 9)	\$ 47,796	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 47,796	\$ 44,540
Due to (from) general fund	--	--	4,280	2,020	1,065	--	7,365	1,592
Due to (from) investment funds	--	--	(100)	--	--	100	--	--
Deferred revenue (note 10)	24,366	--	--	5,708	--	47,227	77,301	89,750
Loans repayable (note 12)	<u>56,250</u>	--	--	--	--	<u>70,806</u>	<u>127,056</u>	<u>40,001</u>
	128,412	--	4,180	7,728	1,065	118,133	259,518	175,883
<b>Loans repayable (note 6, note 12)</b>	75,000	--	--	--	--	1,765,570	1,840,570	2,027,884
<b>Deferred capital contributions (note 13)</b>	<u>49,583</u>	--	--	--	--	--	<u>49,583</u>	--
	<u>252,995</u>	--	4,180	7,728	1,065	1,883,703	2,149,671	2,203,767
<b>Fund balances</b>								
Invested in capital assets	63,927	2,396	--	--	--	--	66,323	8,580
Externally restricted (note 11)	--	--	2,584,378	1,322,220	352,783	--	4,259,381	4,138,656
Unrestricted	<u>(15,537)</u>	--	--	--	--	--	<u>(15,537)</u>	<u>(16,218)</u>
	48,390	2,396	2,584,378	1,322,220	352,783	--	4,310,167	4,131,008
	<u>\$ 301,385</u>	<u>\$ 2,396</u>	<u>\$ 2,588,558</u>	<u>\$ 1,329,948</u>	<u>\$ 353,848</u>	<u>\$ 1,883,703</u>	<u>\$ 6,459,838</u>	<u>\$ 6,334,785</u>

Approved on Behalf of The Board:  Chairman  Treasurer

COMMUNITY FUTURES LAKELAND  
STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED MARCH 31, 2023

	Operating Funds		Loan Investment Funds			RRRF	2023	2022
	General	RRRF	Non-Repayable	Repayable	Disabled			
<b>Revenue</b>								
Government contracts	\$ 294,963	\$ 11,536	\$ --	\$ --	\$ --	\$ --	\$ 306,499	\$ 301,540
Loan interest	2,812	--	107,154	23,560	17,909	--	151,435	130,813
Special projects & other revenue	94,237	--	--	--	--	--	94,237	37,240
Bank interest	114	--	968	520	12	--	1,614	1,129
CFLIP investment income	--	--	26,361	22,839	--	--	49,200	35,593
CFLIP unrealized gains (losses)	--	--	(14,783)	(12,808)	--	--	(27,591)	21,543
Amortization of deferred capital contributions (note 13)	417	--	--	--	--	--	417	--
	<u>392,543</u>	<u>11,536</u>	<u>119,700</u>	<u>34,111</u>	<u>17,921</u>	<u>--</u>	<u>575,811</u>	<u>527,858</u>
<b>Expenses</b>								
Operating expenses (schedule)	431,723	13,932	--	--	--	--	445,655	383,363
Provision for (recovery of) investment losses	--	--	(14,573)	(34,420)	--	--	(48,993)	(5,213)
	<u>431,723</u>	<u>13,932</u>	<u>(14,573)</u>	<u>(34,420)</u>	<u>--</u>	<u>--</u>	<u>396,662</u>	<u>378,150</u>
<b>Excess (deficiency) of revenue over expenses</b>	<u>\$ (29,180)</u>	<u>\$ (2,396)</u>	<u>\$ 134,273</u>	<u>\$ 68,531</u>	<u>\$ 17,921</u>	<u>\$ --</u>	<u>\$ 179,149</u>	<u>\$ 149,708</u>

COMMUNITY FUTURES LAKELAND  
STATEMENT OF CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED MARCH 31, 2023

	Operating Funds		Loan Investment Funds		RRRF	2023	2022
	General	RRRF	Non-Repayable	Repayable			
<b>Equity in capital assets, beginning of year</b>	\$ 3,788	\$ 4,792	\$ --	\$ --	\$ --	\$ 8,580	\$ 12,832
Purchase of capital assets	111,663	--	--	--	--	111,663	--
Net amortization	(1,524)	(2,396)	--	--	--	(3,920)	(4,252)
PanWest grant	(50,000)	--	--	--	--	(50,000)	--
Proceeds from sale of capital assets	--	--	--	--	--	--	--
Gain (loss) on sale of capital assets	--	--	--	--	--	--	--
<b>Equity in capital assets, end of year</b>	<u>63,927</u>	<u>2,396</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>66,323</u>	<u>8,580</u>
<b>Externally restricted funds, beginning of year</b>	--	--	2,529,105	1,274,689	334,862	4,138,656	3,984,419
Excess (deficiency) of revenue over expenses	--	--	134,273	68,531	17,921	220,725	194,237
Interfund transfer (note 15)	--	--	(79,000)	(21,000)	--	(100,000)	(40,000)
<b>Externally restricted funds, end of year</b>	<u>--</u>	<u>--</u>	<u>2,584,378</u>	<u>1,322,220</u>	<u>352,783</u>	<u>4,259,381</u>	<u>4,138,656</u>
<b>Unrestricted funds, beginning of year</b>	(16,218)	--	--	--	--	(16,218)	(15,941)
Excess (deficiency) of revenue over expenses	(39,180)	(2,396)	--	--	--	(41,576)	(44,529)
Purchase of capital assets	(111,663)	--	--	--	--	(111,663)	--
Net amortization	1,524	2,396	--	--	--	3,920	4,252
PanWest grant	50,000	--	--	--	--	50,000	--
Proceeds from sale of capital assets	--	--	--	--	--	--	--
Loss (gain) on sale of capital assets	--	--	--	--	--	--	--
Interfund transfer (note 15)	100,000	--	--	--	--	100,000	40,000
<b>Unrestricted funds, end of year</b>	<u>(15,537)</u>	<u>2,396</u>	<u>2,584,378</u>	<u>1,322,220</u>	<u>352,783</u>	<u>(15,537)</u>	<u>(16,218)</u>
	\$ <u>48,390</u>	\$ <u>2,396</u>	\$ <u>2,584,378</u>	\$ <u>1,322,220</u>	\$ <u>352,783</u>	\$ <u>4,310,167</u>	\$ <u>4,131,018</u>



COMMUNITY FUTURES LAKELAND  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED MARCH 31, 2023

	Operating Funds		Loan Investment Funds			RRRF	2023	2022
	General	RRRF	Non-Repayable	Repayable	Disabled			
<b>Operating Activities</b>								
Government contracts	\$ 304,963	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 304,963	\$ 304,303
Investment income	1,628	--	104,105	26,346	17,616	--	149,695	135,803
Special projects and other income	79,352	--	--	--	--	--	79,352	42,101
Bank interest	13	--	612	164	12	50	851	838
PanWest grant	50,000	--	--	--	--	--	50,000	--
Salaries and benefits	(218,999)	(6,381)	--	--	--	--	(225,380)	(215,448)
Materials and services	(219,176)	(2,391)	--	--	--	--	(221,567)	(158,268)
	<u>(2,219)</u>	<u>(8,772)</u>	<u>104,717</u>	<u>26,510</u>	<u>17,628</u>	<u>50</u>	<u>137,914</u>	<u>109,329</u>
<b>Investing Activities</b>								
Purchase of capital assets	(111,663)	--	--	--	--	--	(111,663)	--
CFLIP investments redeemed	--	--	--	--	--	--	--	200,000
CFLIP investments purchased	--	--	--	--	--	--	--	--
	<u>(111,663)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(111,663)</u>	<u>200,000</u>
<b>Financing Activities</b>								
Investment loan advances	--	--	(260,266)	(107,000)	(209,993)	--	(577,259)	(356,105)
Investment loan repayments	--	--	254,917	107,567	48,466	194,814	605,764	547,774
CGI loans collected	56,250	--	--	--	--	--	56,250	--
CGI loans issued	(150,000)	--	--	--	--	--	(150,000)	--
RRRF loans issued	--	--	--	--	--	--	--	(120,000)
RRRF funding (net of repayments)	--	--	--	--	--	--	--	40,000
Advances (repayments to) CFNA	150,000	8,772	(79,000)	(21,000)	--	(164,010)	(14,010)	(100,399)
Interfund transfer (note 15)	100,000	--	--	(21,000)	--	(8,772)	--	--
	<u>156,250</u>	<u>8,772</u>	<u>(84,349)</u>	<u>(20,433)</u>	<u>(161,527)</u>	<u>22,032</u>	<u>(79,255)</u>	<u>11,270</u>
<b>Net increase (decrease) in cash</b>	42,368	--	20,368	6,077	(143,899)	22,082	(53,004)	320,599
<b>Cash, beginning of year</b>	<u>38,121</u>	<u>--</u>	<u>584,505</u>	<u>303,898</u>	<u>227,019</u>	<u>96,051</u>	<u>1,249,594</u>	<u>928,995</u>
<b>Cash, end of year</b>	<u>\$ 80,849</u>	<u>\$ --</u>	<u>\$ 604,873</u>	<u>\$ 309,975</u>	<u>\$ 83,120</u>	<u>\$ 118,133</u>	<u>\$ 1,196,590</u>	<u>\$ 1,249,594</u>

COMMUNITY FUTURES LAKELAND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2023

**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 investment 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, accrued liabilities and loans repayable. 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, 2023

**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) Short Term and 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	10 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. Capital grants received for capital asset purchases are amortized over the same period as the related asset.

**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, 2023

**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 75.1% (2022 – 88.9%) of its operating revenue from the federal government and is economically dependent on these revenues.

**3. Short Term Investments**

Short-term investments consist of Community Futures Lending and Investment Pool (C-Flip) Investments. 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. The book value of these investments is \$1,588,460 (2022 - \$1,539,260).

COMMUNITY FUTURES LAKELAND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2023

**4. Long Term Investments**

Long term investments consist of Credit Union Equity.

**5. Capital Assets**

	2023			2022
	Cost	Accumulated Amortization	NBV	NBV
Leasehold improvements	\$ 181,992	\$ 75,015	\$ 106,977	\$ --
Office furniture	18,713	15,967	2,746	3,788
Office equipment	11,872	11,872	--	--
Computer equipment	36,521	32,734	3,787	--
Computer equipment (RRRF)	<u>7,188</u>	<u>4,792</u>	<u>2,396</u>	<u>4,792</u>
	<u>\$ 256,286</u>	<u>\$ 140,380</u>	<u>\$ 115,906</u>	<u>\$ 8,580</u>

**6. 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, 2023, the corporation had approved additional loans totalling \$269,187 (2022-\$316,841) pending certain conditions.

At yearend, the corporation had a non-repayable loan with a balance outstanding of more than \$150,000. At March 31, 2023 the balance outstanding on this loan was \$238,019 (2022 - \$261,483).

During the year there were five repayable loans issued totalling \$40,000 at fixed rates varying from prime to prime plus 1.30% as part of the Corporations beautification loan program.

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 12).

Repayable loan funds totalling \$150,000 were received from the Community Futures Network of Alberta (see note 12) through the Capital Growth Initiative. These loans are tracked through the general fund and bear interest at fixed rates varying from 6.70% to 7.95% for a 5-year term. If 75% of the principal is repaid by the end of the 5-year term, the remaining 25% will be forgiven.

COMMUNITY FUTURES LAKELAND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2023

**7. Impaired Loans**

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

	<u>Gross Amount</u>	<u>General Allowance</u>	<u>Specific Allowance</u>	<u>Carrying Value</u>	
				<u>2023</u>	<u>2022</u>
Loans to small business	\$ <u>694,617</u>	\$ <u>--</u>	\$ <u>304,000</u>	\$ <u>390,617</u>	\$ <u>404,269</u>

**8. 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:

	<u>2022 Ending Balance</u>	<u>Write offs (net of Recoveries)</u>	<u>Provision for Credit Losses</u>	<u>2023 Ending Balance</u>
Loan Investment Fund - Non-repayable	\$ 257,000	\$ (573)	\$ (14,573)	\$ 243,000
Loan Investment Fund - Repayable	<u>132,988</u>	<u>37,568</u>	<u>(34,420)</u>	<u>61,000</u>
	\$ <u>389,988</u>	\$ <u>36,995</u>	\$ <u>(48,993)</u>	\$ <u>304,000</u>

**9. Payables and Accrued Liabilities**

	<u>2023</u>
Trade Payables	\$ 29,705
Vacation and Wages Payable	12,258
Payroll Deductions Payable	<u>5,833</u>
	\$ <u>47,796</u>
	\$ <u>44,540</u>

**10. Deferred Revenue**

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

	<u>2023</u>	<u>2022</u>
RRRF Operating Funds	\$ 47,227	\$ 58,763
Beautification Funds	13,816	--
CGI Operating Funds	10,000	--
Beautification Loan Interest	5,708	4,046
Rental Income	550	8,289
Business Resiliency	--	10,452
Incubator	<u>--</u>	<u>8,200</u>
	\$ <u>77,301</u>	\$ <u>89,750</u>

COMMUNITY FUTURES LAKELAND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2023

**11. Externally Restricted Funds**

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

	<u>2023</u>	<u>2022</u>
Non-Repayable Investment	\$ 2,584,378	\$ 2,529,105
Repayable Investment	1,322,220	1,274,689
Disabled Investment	<u>352,783</u>	<u>334,862</u>
	<u>\$ 4,259,381</u>	<u>\$ 4,138,656</u>

The regular repayable and disabled net assets 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.

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, 2023.

COMMUNITY FUTURES LAKELAND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2023

**12. Loans Receivable and Loans Repayable**

**RRRF**

RRRF loans totalling \$2,180,000 have been issued by the Corporation. 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 is forgiven (note 6) and by any loans that are not collectible and costs associated with attempts to collect loans in arrears.

The balance has been recorded net of the forgivable portion of the loan receivable. The forgivable portion has been recorded for clients that have made the required repayments as at March 31, 2023.

	<u>2023</u>	<u>2022</u>
Loans receivable & repayable, beginning of the year	\$ 2,027,884	\$ 2,039,980
RRRF loans issued	--	120,000
Forgivable portion of loans receivable	(67,500)	--
Payments received	<u>(194,814)</u>	<u>(132,096)</u>
Loans receivable & repayable, end of year	\$ <u>1,765,570</u>	\$ <u>2,027,884</u>

**CGI**

CGI loans totalling \$150,000 have been issued by the Corporation. The balance due to Community Futures Network of Alberta (CFNA) is non-interest bearing and any principal loan payments received will be remitted regularly to CFNA. The balance to be repaid will be reduced to the extent the loans receivable are forgiven (note 6) and by any loans that are not collected and costs associated when attempts to collect loans in arrears.

	<u>2023</u>	<u>2022</u>
Loans repayable, beginning of year	\$ --	\$ --
CGI funding received	150,000	--
Forgivable portion of loans repayable	<u>(18,750)</u>	--
	131,250	\$ --
Loans repayable, current	<u>(56,250)</u>	--
Loans repayable, long term	\$ <u>75,000</u>	--
Loans receivable, beginning of year	--	--
Loans issued	150,000	--
Interest outstanding	484	--
Forgivable portion of loan receivable	(18,750)	--
Repayments received	<u>(56,250)</u>	--
	75,484	--
Loans receivable, current	<u>(12,085)</u>	--
Loans receivable, long term	\$ <u>63,399</u>	--



COMMUNITY FUTURES LAKELAND  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED MARCH 31, 2023

**13. Deferred Capital Contributions**

During the year, Community Futures PanWest advanced \$50,000 of grant funding to the Corporation. The grant was used for a portion of the leasehold improvements. The deferred contribution is amortized over the same period as the leasehold improvements. The changes in the deferred contribution are as follows:

	<u>2023</u>	<u>2022</u>
Beginning balance	\$ --	\$ --
Contribution received	50,000	--
Less amount amortized to revenue	<u>(417)</u>	<u>--</u>
Closing Balance	\$ <u>49,583</u>	\$ <u>--</u>

**14. Lease Commitments**

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

	<u>Rent</u>	<u>Equipment</u>
2024	\$ 20,790	\$ 4,098
2025	22,680	4,098
2026	22,680	3,144
2027	22,680	71
2028	22,877	--
2029-2032	25,041	--
2033	22,954	--

**15. Inter Fund Transfers**

Approved interest transfers:

2022/2023	\$ <u>100,000</u>
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The 2022/2023 approved interest transfer was paid to operations during the year (\$21,000 from the repayable fund and \$79,000 from the non-repayable fund). \$60,000 of the interest transfer was used for leasehold improvements and the remaining \$40,000 was used for costs related to special projects.

During the year the RRRF loan fund transferred \$8,772 to the RRRF operating fund for RRRF admin expenditures during the year. This transfer was net of the overpayment in the prior year of \$2,764.

COMMUNITY FUTURES LAKELAND  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED MARCH 31, 2023

**16. 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 funds had the following amounts outstanding:

	<u>2023</u>	<u>2022</u>
Letters of credit	\$ 18,100	\$ 18,100
Commitments to extend credit	13,646	29,404

**17. 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 organization's 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  
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**17. 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.

**18. Comparative Figures**

Certain of the 2022 comparative figures have been reclassified to conform to the current years financial statement presentation.

COMMUNITY FUTURES LAKELAND  
SCHEDULE OF OPERATING EXPENSES  
FOR THE YEAR ENDED MARCH 31, 2023

Operating expenses	Operating Fund		2023	2022
	General	RRRF		
Salaries and benefits	\$ 221,196	\$ 6,381	\$ 227,577	\$ 215,211
Special projects	64,506	--	64,506	30,320
Office rent and utilities	41,721	--	41,721	49,527
Professional fees	15,688	1,025	16,713	15,487
Office supplies	13,351	--	13,351	8,569
Conferences/workshops	9,065	--	9,065	8,163
Contract services	8,798	4,023	12,821	12,813
Maintenance and repairs	6,662	--	6,662	4,436
Memberships	6,506	--	6,506	3,570
Board member expenses	6,341	--	6,341	2,908
Information technology	5,684	--	5,684	5,861
Equipment rental	5,530	--	5,530	5,725
Advertising and promotion	5,268	107	5,375	3,640
Staff travel	5,049	--	5,049	2,173
Telephone and internet	4,906	--	4,906	4,700
Insurance	2,969	--	2,969	2,949
Moving expenses	2,366	--	2,366	--
Meeting expenses	2,089	--	2,089	1,240
Amortization expense	1,941	2,396	4,337	4,252
Bank charges	1,582	--	1,582	1,370
Postage and delivery	<u>505</u>	<u>--</u>	<u>505</u>	<u>449</u>
	<u>\$ 431,723</u>	<u>\$ 13,932</u>	<u>\$ 445,655</u>	<u>\$ 383,363</u>