

**Community Futures
Northwest Alberta
Financial Statements**

March 31, 2019

Community Futures Northwest Alberta

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Independent Auditor's Report

To the Board of Community Futures Northwest Alberta:

Opinion

We have audited the financial statements of Community Futures Northwest Alberta (the "Organization"), which comprise the statement of financial position as at March 31, 2019, and the statements of earnings and changes in unrestricted fund balance, earnings and changes in restricted fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2019, and the results of its operations, change in unrestricted and restricted 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 the Organization 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 these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization 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.

Peace River, Alberta

August 7, 2019

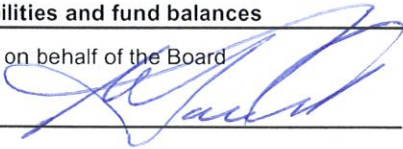
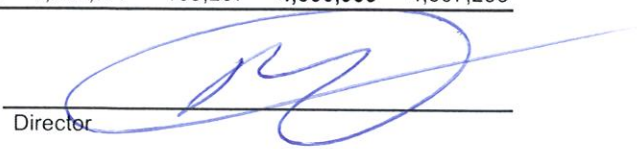
MNP **LLP**

Chartered Professional Accountants

MNP

Community Futures Northwest Alberta Statement of Financial Position

As at March 31, 2019

	<u>Loan Investment Funds</u>					
	<i>General Fund</i>	<i>Repayable</i>	<i>Non-Repay</i>	<i>Disabled</i>	2019	2018
Assets						
Current						
Cash in bank	62,881	201,331	600,973	62,094	927,279	970,501
Accounts receivable	6,157	-	168,777	-	174,934	158,269
Prepaid expenses	-	-	-	-	-	518
Assets held for resale	-	-	45,000	-	45,000	60,000
Current portion of loans (Note 5)	-	32,854	507,829	26,548	567,231	580,685
	69,038	234,185	1,322,579	88,642	1,714,444	1,769,973
Capital assets (Note 3)	278,133	-	-	-	278,133	281,620
CFLIP Investment (Note 14)	-	-	1,155,931	-	1,155,931	772,777
Investment loan receivable (Note 5)	-	98,563	1,524,267	79,645	1,702,475	1,742,883
Total assets	347,171	332,748	4,002,777	168,287	4,850,983	4,567,253
Liabilities and fund balances						
Current						
Short-term debt (Note 7)	-	-	-	-	-	-
Accounts payable	49,194	101,841	55	-	151,090	52,308
Current portion of long-term debt (Note 8)	22,667	-	-	-	22,667	22,667
	71,861	101,841	55	-	173,757	74,975
Long-term debt (Note 8)	68,000	-	-	-	68,000	90,667
	139,861	101,841	55	-	241,757	165,642
Fund balances						
Invested in capital assets (Note 9)	187,467	-	-	-	187,467	168,287
Externally restricted (Note 6)	-	230,907	4,002,722	168,287	4,401,916	4,208,191
Internally restricted (Note 13)	166,427	-	-	-	166,427	166,427
Unrestricted	(146,584)	-	-	-	(146,584)	(141,294)
	207,310	230,907	4,002,722	168,287	4,609,226	4,401,611
Total liabilities and fund balances	347,171	332,748	4,002,777	168,287	4,850,983	4,567,253
Approved on behalf of the Board						
Director				Director		

See accompanying notes to the financial statements

Community Futures Northwest Alberta

Statement of Earnings and Changes in Unrestricted Fund Balance

Year Ended March 31, 2019

	2019	2018
Revenue		
WD contribution	319,963	319,963
Other	68,070	66,899
	388,033	386,862
Operating expenses		
Advertising and promotion	2,689	12,003
Amortization	9,678	10,146
Audit and legal fees	8,294	11,009
Bank charges	361	436
Board members expenses	4,534	2,029
Business development expenses	6,550	6,000
General manager - expenses	8,798	7,026
Insurance	5,248	4,346
Interest on long-term debt	5,120	5,245
Meeting and travel expenses	311	4,130
Office expenses	16,884	19,453
Office manager - expenses	170	-
Property tax	2,613	2,472
Repairs and maintenance	6,347	8,243
Small equipment purchases	2,729	3,774
Special projects	6,379	1,514
Subscriptions and memberships	1,412	1,360
Telephone, fax and internet	15,975	15,705
Utilities	6,894	6,308
Wages	263,157	258,625
	374,143	379,824
Net earnings for the year	13,890	7,038
Unrestricted fund balance, beginning of year	(141,294)	(135,811)
Transfer (to) from investment in capital assets	(19,180)	(12,521)
Unrestricted fund balance, end of year	(146,584)	(141,294)

See accompanying notes to the financial statements

Community Futures Northwest Alberta

Statement of Earnings and Changes in Restricted Fund Balances

Year Ended March 31, 2019

	<u>Loan Investment Funds</u>				
	<i>Repayable</i>	<i>Non-Repay</i>	<i>Disabled</i>	2019	2018
Revenue					
Interest on bank deposits	508	3,393	310	4,211	2,634
Interest on loans	12,197	168,390	6,776	187,363	232,895
Recovery of expenses	5,035	33,154	-	38,189	23,567
	17,740	204,937	7,086	229,763	259,096
Expenses					
Audit fees	-	7,431	-	7,431	7,403
Bad debts expense	-	18,439	-	18,439	125,806
Bank charges and interest on debt	313	2,942	-	3,255	2,233
Client support	-	943	-	943	180
Collection costs	2,855	3,115	-	5,970	3,574
	3,168	32,870	-	36,038	139,196
Net earnings for the year	14,572	172,067	7,086	193,725	119,900
Interfund transfers	(1,133)	1,097	36	-	-
Earned fund balance, beginning of year	(207,532)	2,540,135	(38,835)	2,293,768	2,173,868
Earned fund balance, end of year	(194,093)	2,713,299	(31,713)	2,487,493	2,293,768
Original contributions	425,000	1,289,423	200,000	1,914,423	1,914,423
Total fund balance, end of year (Note 6)	230,907	4,002,722	168,287	4,401,916	4,208,191

See accompanying notes to the financial statements

Community Futures Northwest Alberta Statement of Cash Flows

Year Ended March 31, 2019

	<i>General Fund</i>	<i>Repayable</i>	<i>Non-Repay</i>	<i>Disabled</i>	2019	2018
Cash provided by (used) for the following:						
Operating						
Cash receipts from WD	319,963	-	-	-	319,963	319,963
Cash receipts from income	-	12,741	158,883	7,266	178,890	207,541
Cash receipts from other revenue	64,083	106,876	-	-	170,959	44,272
Advances of investment loans	-	(628,927)	(493,628)	(111,120)	(1,233,675)	(390,034)
Repayments of investment loans	-	639,173	561,235	83,690	1,284,098	580,210
Cash paid for contracted services and wages	(263,157)	-	-	-	(263,157)	(258,625)
Cash paid for materials and services	(103,602)	(3,168)	(14,672)	-	(121,442)	(120,669)
	17,287	126,695	211,818	(20,164)	335,636	382,658
Investing						
Purchase of capital assets	(6,191)	-	-	-	(6,191)	-
Investment in CFLIP	-	-	(350,000)	-	(350,000)	-
Inter-fund transfers	-	(1,133)	-	-	(1,133)	(3,957)
	(6,191)	(1,133)	(350,000)	-	(357,324)	(3,957)
Financing						
Mortgage repayment	(22,667)	-	-	-	(22,667)	(22,667)
Inter-fund transfers	-	-	1,097	36	1,133	3,957
	(22,667)	-	1,097	36	(21,534)	(18,710)
Increase (decrease) in cash resources	(11,571)	125,562	(137,085)	(20,128)	(43,222)	359,991
Cash resources, beginning of year	74,452	75,769	738,058	82,222	970,501	610,510
Cash resources, end of year	62,881	201,331	600,973	62,094	927,279	970,501
Cash resources consists of:						
Cash in bank	62,881	201,331	600,973	62,094	927,279	970,501

See accompanying notes to the financial statements

Community Futures Northwest Alberta

Notes to the Financial Statements

March 31, 2019

1. Purpose of the organization

Community Futures Northwest Alberta (the "Organization") 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.

The Community Futures Northwest Alberta (CFNA) was incorporated under the Business Corporations Act of the Province of Alberta on December 19, 1988 and commenced operational procedures under the auspices of the Ministry of Employment and Immigration Canada as part of the program for Canadian Job Strategy on April 18, 1989. On November 1, 1994, Northwest Community Futures Business Development Corporation assumed the operations of Northwest Economic Initiative Committee, and changed their name to MacKenzie Economic Development Corporation. Effective April 1, 2007, its name changed to Community Futures Northwest Alberta.

2. Significant accounting policies

Revenue Recognition — Restricted Fund Method

Community Futures Northwest Alberta follows the restricted 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 Investment Fund reports 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 Investment Fund for the Disabled are limited to businesses owned and operated by disabled entrepreneurs. The organization is restricted in the types of loans that can be made according to its agreement with the federal government.

Capital assets

Capital assets over \$2,500 are recorded at cost and are amortized over their estimated useful lives on a straight line basis as follows:

Furniture	5 years
Office equipment	5 years
Vehicles	6 years
Buildings	25 years

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term deposits with original maturities of three months or less.

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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable and loans receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of capital assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the periods in which they become known.

Community Futures Northwest Alberta

Notes to the Financial Statements

March 31, 2019

2. Significant accounting policies (continued)

Financial Instruments

Held for trading

The organization has classified the following financial assets as held for trading: cash and short term deposits. These instruments are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell these items are recorded on the settlement date and transaction costs are immediately recognized in excess of revenues over expenses.

Held for trading financial instruments are subsequently measured at their fair value. Gains and losses arising from changes in fair value are recognized immediately in excess of revenues over expenses.

Loans and receivables

The organization has classified the following financial assets as loans and receivables: trade accounts receivable and long term loans receivable. These assets are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell these items are recorded on the settlement date and transaction costs are immediately recognized in excess of revenues over expenses.

Loans and receivables are subsequently measured at their amortized cost, using the effective interest method. Under this method, estimated future cash receipts are exactly discounted over the asset's expected life, or other appropriate method, to its net carrying value. Amortized cost is the amount at which the financial asset is measured at initial recognition less principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and less any reduction for impairment or uncollectibility. Gains or losses arising from changes in fair value are recognized in excess of revenues over expenses upon derecognition or impairment.

Other financial liabilities

The organization has classified the following financial liabilities as other financial liabilities: trade accounts payable and long term debt. These liabilities are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell these items are recorded on the settlement date and transaction costs are immediately recognized in excess of revenues over expenses.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Under this method, estimated future cash payments are exactly discounted over the amount at which the financial liabilities expected life, or other appropriate period, to its net carrying value. Amortized cost is the amount at which the financial liability is measured at initial recognition less principal repayments, and plus or minus the cumulative amortization using the effective interest method or any difference between that initial amount and the maturity amount. Gains and losses arising from changes in fair value are recognized in excess of revenues over expenses upon derecognition or impairment.

Community Futures Northwest Alberta Notes to the Financial Statements

March 31, 2019

3. Capital assets

	<i>Cost</i>	<i>Accumulated Depreciation</i>	2019 Net Book Value	2018 Net Book Value
Land	87,500	-	87,500	87,500
Furniture	9,976	9,976	-	-
Buildings	211,000	25,320	185,680	194,120
Office equipment	109,764	104,811	4,953	-
	418,240	140,107	278,133	281,620

4. 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 loan portfolios, as determined by management, as follows:

	<i>2018 Ending Balance</i>	<i>Written Off</i>	<i>Deemed Collectible/ Collected</i>	<i>Provision for Credit Losses</i>	2019 Ending Balance
Loan Investment Fund - Repayable	942	-	-	-	942
Loan Investment Fund - Non - Repayable	107,500	(15,000)	-	-	92,500
	108,442	(15,000)	-	-	93,442

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.

5. Loans receivable

Outstanding loans to entrepreneurs are interest bearing at fixed rates varying from 7.45% to 10% with monthly principal and interest repayments amortized for terms between 12 and 60 months. Security is taken on these loans as appropriate to the situation, and includes personal guarantees, general security agreements covering business assets and mortgages on land and building. This security is usually subordinated to those of a primary lender.

	<i>Repayable</i>	<i>Non-Repay</i>	<i>Disability</i>	2019 Total	2018 Total
Investment loans receivable	132,359	2,124,596	106,193	2,363,148	2,432,010
Less: Allowance for credit loss (Note 4)	(942)	(92,500)	-	(93,442)	(108,442)
	131,417	2,032,096	106,193	2,269,706	2,323,568
Less: Current portion	(32,854)	(507,829)	(26,548)	(567,231)	(580,685)
	98,563	1,524,267	79,645	1,702,475	1,742,883

Community Futures Northwest Alberta Notes to the Financial Statements

March 31, 2019

6. Externally restricted fund balances

	<i>Repayable</i>	<i>Non-Repay</i>	<i>Disabled</i>	2019	2018
Balance, beginning of year	217,468	3,829,558	161,165	4,208,191	4,088,291
Net earnings	14,572	172,067	7,086	193,725	119,900
Inter-fund transfers	(1,133)	1,097	36	-	-
Balance, end of year	230,907	4,002,722	168,287	4,401,916	4,208,191

Restricted fund balances consist of:

Contributions	425,000	1,289,423	200,000	1,914,423	1,914,423
Accumulated earnings and transfers	(192,960)	2,712,202	(31,749)	2,487,493	2,293,768
Inter-fund transfers	(1,133)	1,097	36	-	-
	230,907	4,002,722	168,287	4,401,916	4,208,191

Under the terms and conditions of the contribution agreement between the Corporation and the Department of Western Economic Diversification, the Conditionally Repayable Loan Funds are repayable if any of the following conditions occur:

- i. The Conditionally Repayable Investment Fund is not administered according to the terms and conditions specified in this Agreement; or
- ii. Based on reviews and evaluations of the operations and the Conditionally Repayable Investment Fund of the Corporation, the Conditionally Repayable Investment Fund is not providing a satisfactory level of benefits in terms of employment creation, the development of Community-owned or controlled businesses, and strengthening of the western Canadian economy; or
- iii. In the opinion of the Minister, the Conditionally Repayable Investment Fund is no longer necessary or relevant to the development of the western Canadian economy; or
- iv. The Agreement is Terminated as described in Section 16; or
- v. An event of default occurs, as described in Section 17 of the Agreement

Community Futures Northwest Alberta Notes to the Financial Statements

March 31, 2019

7. Short-term line of credit

The organization holds a line of credit totalling \$1,750,000 of which \$nil was drawn as of March 31, 2019 (2018 – \$nil). The interest rate included on the line of credit is fixed at prime at the date of initial draw down. Funds can be drawn in increments of \$50,000. The line of credit is payable on demand and in any case not later than sixty (60) months following the date of the first loan advance (the loan was first advanced in 2010). Amount is secured by a demand promissory note executed by the organization and related general security agreement securing all assets and undertakings of the borrower.

8. Long term debt

	2019	2018
Balance, beginning of year	113,334	136,000
Advances	-	-
Payments	(27,911)	(27,911)
Interest	5,244	5,245
Balance, end of year	90,667	113,334
Less: current portion	22,667	22,667
	<u>68,000</u>	<u>90,667</u>

BMO building mortgage with monthly payments of \$1,889 including interest at prime plus 1.25%, effective rate of 3.95%, secured by the related building with a net book value of \$185,680 (2018 - \$194,120), maturing 2024.

9. Investment in capital assets

	2019	2018
Balance, beginning of year	168,287	155,766
Purchase of capital assets	6,191	-
Long term debt repayments	22,667	22,667
Amortization of capital assets	(9,678)	(10,146)
	<u>187,467</u>	<u>168,287</u>

Community Futures Northwest Alberta

Notes to the Financial Statements

March 31, 2019

10. Economic Dependence

The Organization receives 82% (2018 - 82%) of its operating revenue from the federal government and is economically dependant upon it. The Organization's ability to continue viable operations is dependent upon maintaining its right to follow the criteria within the provincial government guidelines. As at the date of these financial statements the Organization believes that it is in compliance with the guidelines.

11. Financial instruments

The Organization as part of its operations carries a number of financial instruments. It is management's opinion that the Organization is not exposed to significant interest rate, currency or credit risks arising from these financial instruments except as otherwise disclosed.

12. Commitments

As of March 31, 2019, the corporation has no loans that have been approved but not disbursed (2018 – none).

13. Internally Restricted Net Assets

	2019	2018
Balance, beginning of year	166,427	166,427
Transfer from unrestricted surplus	-	-
Balance, end of year	166,427	166,427

14. CFLIP Investment

The Organization receives 2.64% interest on the investment with CFLIP. The Organization must also give at least 15 days notice to CFLIP if they are going to withdraw any of the funds.