

COMMUNITY FUTURES CHINOOK

FINANCIAL STATEMENTS

For the year ended March 31, 2021

COMMUNITY FUTURES CHINOOK
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For the year ended March 31, 2021

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CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Community Futures - Chinook

Opinion

We have audited the financial statements of Community Futures Chinook, which comprises the statement of financial position as at March 31, 2021, and the statement of operations, changes in fund balances and statement of 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 Community Futures - Chinook as at March 31, 2021, and its financial performance 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:



CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT, continued

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

Lethbridge, Alberta
June 16, 2021

A handwritten signature in black ink that reads "Avail LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants

COMMUNITY FUTURES CHINOOK
STATEMENT OF FINANCIAL POSITION
As at March 31, 2021

	Loan investment funds					2021 Total	2020 Total
	General Fund	WD Non- Repayable Investment Fund	Conditionally Repayable Investment Fund	WD Conditionally Repayable EDP Fund	Regional Relief and Recovery Fund		
ASSETS							
Current assets							
Cash	\$ 165,812	\$ 422,440	\$ 427,994	\$ 56,455	\$ 35,302	\$ 1,108,003	\$ 864,565
Accounts receivable	11,980	-	-	-	80,000	91,980	611
Interest receivable	-	-	4,389	-	-	4,389	1,224
Advances to other funds	-	2,377	-	6,845	-	9,222	11,223
Prepaid expenses	1,131	-	-	-	-	1,131	1,305
Current portions of loans receivable	-	82,680	282,939	4,959	20,000	390,578	340,037
	178,923	507,497	715,322	68,259	135,302	1,605,303	1,218,965
Loans receivable (note 3)	-	282,265	686,483	-	2,415,000	3,383,748	1,089,100
Investments (note 4)	130,592	-	910,166	303,053	-	1,343,811	1,227,428
	\$ 309,515	\$ 789,762	\$ 2,311,971	\$ 371,312	\$ 2,550,302	\$ 6,332,862	\$ 3,535,493

LIABILITIES AND FUND BALANCES							
Current liabilities							
Accounts payable and accrued liabilities	\$ 12,776	\$ -	\$ -	\$ -	\$ -	\$ 12,776	\$ 4,830
Deferred revenue (note 5)	107,554	-	51,813	-	-	159,367	117,977
Advances from other funds	2,395	-	6,726	-	101	9,222	11,223
	122,725	-	58,539	-	101	181,365	134,030
Due to Government of Canada (note 6)	-	-	837,500	200,000	2,550,000	3,587,500	1,037,500
	122,725	-	896,039	200,000	2,550,101	3,768,865	1,171,530
Fund balances							
Externally restricted	-	789,762	1,415,932	171,312	201	2,377,207	2,178,574
Unrestricted	186,790	-	-	-	-	186,790	185,389
	186,790	789,762	1,415,932	171,312	201	2,563,997	2,363,963
	\$ 309,515	\$ 789,762	\$ 2,311,971	\$ 371,312	\$ 2,550,302	\$ 6,332,862	\$ 3,535,493

Approved on behalf of the board

Director _____

Director _____

COMMUNITY FUTURES CHINOOK
STATEMENT OF OPERATIONS
For the year ended March 31, 2021

	Loan investment funds					2021 Total	2020 Total
	General Fund	WD Non- Repayable Investment Fund	WD Conditionally Repayable Investment Fund	WD Conditionally Repayable EDP Fund	Regional Relief and Recovery Fund		
Revenue							
Western Economic Diversification (schedule 1)	\$ 400,579	\$ -	\$ -	\$ -	\$ -	\$ 400,579	\$ 294,963
Loan interest	-	27,475	59,301	430	-	87,206	107,904
Unrealized gain (loss) on investments	8,386	-	58,444	19,460	-	86,290	(28,559)
Community Resiliency & Economic Support for Taber	43,546	-	-	-	-	43,546	-
Bank and investment interest	4,035	1,156	22,126	7,029	451	34,797	45,797
Loan fees	6,330	-	-	-	-	6,330	5,105
Miscellaneous	11,152	-	116	-	-	11,268	5,084
Student and youth funding	-	-	-	-	-	-	5,690
	474,028	28,631	139,987	26,919	451	670,016	435,984
Expenses							
Salaries and benefits	252,719	-	-	-	-	252,719	156,810
Community and economic development	63,424	-	-	-	-	63,424	4,000
Consulting fees	52,200	-	-	-	-	52,200	54,210
Office	30,425	-	-	-	-	30,425	12,224
Rent	15,600	-	-	-	-	15,600	15,600
Telephone and utilities	13,651	-	-	-	-	13,651	9,009
Advertising and promotion	11,894	-	-	-	-	11,894	1,394
Professional fees	10,000	-	-	-	-	10,000	10,000
Travel	4,707	-	-	-	-	4,707	10,494
GST not recoverable	4,194	-	-	-	-	4,194	2,697
Insurance and licenses	4,013	-	-	-	-	4,013	3,360
Training	3,151	-	-	-	-	3,151	230
Interest and bank charges	301	300	600	300	250	1,751	1,307
Investment fund	1,305	-	-	-	-	1,305	1,486
Repairs and maintenance	1,295	-	-	-	-	1,295	2,110
Bad debts (recoveries)	-	-	(1,547)	1,199	-	(348)	20,593
	468,879	300	(947)	1,499	250	469,981	305,524
Excess of revenue over expenses	\$ 5,149	\$ 28,331	\$ 140,934	\$ 25,420	\$ 201	\$ 200,035	\$ 130,460

COMMUNITY FUTURES CHINOOK
STATEMENT OF CHANGES IN FUND BALANCES
For the year ended March 31, 2021

	Loan investment funds					2021 Total	2020 Total
	General Fund	WD Non- Repayable Investment Fund	Conditionally Repayable Investment Fund	WD Conditionally Repayable EDP Fund	Regional Relief and Recovery Fund		
Externally restricted							
Beginning of year	\$ -	\$ 761,431	\$ 1,273,124	\$ 145,892	\$ -	\$ 2,180,447	\$ 2,076,876
Excess of revenue over expenses	-	28,331	140,934	25,420	201	194,886	101,697
Interfund transfer	-	-	1,874	-	-	1,874	-
End of year	-	789,762	1,415,932	171,312	201	2,377,207	2,178,573
Unrestricted							
Beginning of year	183,515	-	-	-	-	183,515	156,626
Excess of revenue over expenses	5,149	-	-	-	-	5,149	28,763
Interfund transfer	(1,874)	-	-	-	-	(1,874)	-
End of year	186,790	-	-	-	-	186,790	185,389
	\$ 186,790	\$ 789,762	\$ 1,415,932	\$ 171,312	\$ 201	\$ 2,563,997	\$ 2,363,962

COMMUNITY FUTURES CHINOOK
STATEMENT OF CASH FLOWS
For the year ended March 31, 2021

	Loan investment funds					2021 Total	2020 Total
	General Fund	WD Non- Repayable Investment Fund	WD Conditionally Repayable Investment Fund	WD Conditionally Repayable EDP Fund	Regional Relief and Recovery Fund		
Cash flows from operating activities							
Excess of revenue over expenses	\$ 5,149	\$ 28,331	\$ 140,934	\$ 25,420	\$ 201	\$ 200,035	\$ 130,460
Items not involving cash							
Provision for credit losses (recoveries)	-	-	(1,547)	1,199	-	(348)	20,593
Unrealized (gain) loss on investments	(8,386)	-	(58,444)	(19,460)	-	(86,290)	28,559
	(3,237)	28,331	80,943	7,159	201	113,397	179,612
Net change in non-cash working capital items							
Accounts receivable	(11,369)	-	-	-	(80,000)	(91,369)	22,475
Interest receivable	-	-	(4,363)	-	-	(4,363)	(503)
Prepaid expenses	174	-	-	-	-	174	(205)
Accounts payable and accrued liabilities	7,948	-	-	-	-	7,948	(3,133)
Deferred revenue	1,374	-	40,016	-	-	41,390	57,497
Advances to/from other funds	(1,875)	2,007	(232)	-	100	-	-
	(6,985)	30,338	116,364	7,159	(79,699)	67,177	255,743
Cash flows from lending activities							
Loan payments	-	319,961	374,151	4,105	15,000	713,217	710,131
Loan advances	-	(135,920)	(474,190)	-	(2,450,000)	(3,060,110)	(679,597)
Allowance for doubtful accounts, net of provision for credit losses	-	-	3,248	-	-	3,248	2,620
	-	184,041	(96,791)	4,105	(2,435,000)	(2,343,645)	33,154
Cash flows from investing activities							
Purchase of investments	(2,925)	-	(20,383)	(6,787)	-	(30,095)	(424,654)
Cash flows from financing activities							
Advances from Government of Canada	-	-	-	-	2,550,001	2,550,001	-
Increase (decrease) in cash	(9,910)	214,379	(810)	4,477	35,302	243,438	(135,757)
Cash, beginning of year	175,722	208,061	428,804	51,978	-	864,565	1,000,322
Cash, end of year	\$ 165,812	\$ 422,440	\$ 427,994	\$ 56,455	\$ 35,302	\$ 1,108,003	\$ 864,565

1. Nature of operations

Community Futures - Chinook is a community based not-for-profit organization that was incorporated under the Companies Act of Alberta.

The mission of the organization is to promote economic growth and development within the south central area in the Province of Alberta and to foster the establishment, expansion and stabilization of small business in the region.

2. Significant accounting policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant policies are detailed as follows:

(a) 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.

(b) Revenue recognition
Restricted contributions related to general operations are recognized as revenue of the general fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

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

Investment income includes interest income as well as realized and unrealized investment gains and losses. Unrealized gains and losses on financial assets are included in investment income and 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.

(c) Inventory of property held for resale
Foreclosed assets are recorded at the lower of cost and net realizable value.

(d) Investments
Investments are recorded at fair value. Changes in fair value are recognized in the statement of operations.

(e) 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.

2. Significant accounting policies, continued

(f) Fund accounting

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

The General Fund is used to account for all revenues and expenses related to program delivery and administrative activities. This fund reports unrestricted resources and restricted operating grants.

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

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

The WD Conditionally Repayable EDP Fund is used to account for repayable investment funds the organization received from Western Economic Diversification to be used for loans, loan guarantees, and equity investments in businesses owned by persons with disabilities.

The Regional Relief and Recovery Fund is used to account for repayable investment funds the organization received from the Government of Canada to provide loans for small and medium-sized enterprises to enable their recovery from economic disruptions caused by the COVID-19 pandemic.

(g) Financial instruments

The organization initially measures all of its financial assets and financial liabilities at fair value, except for certain non-arm's length transactions.

The organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments which are measured at fair value. Changes in fair value are recognized in the statement of operations.

(h) Income taxes

The organization is operated exclusively for not-for-profit purposes and accordingly will be exempted from income taxes as long as it complies with the requirements of section 149(1)(l) of the Income Tax Act.

COMMUNITY FUTURES CHINOOK
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2021

2. Significant accounting policies, continued

(i) 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 disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

Loans receivable and foreclosed assets are reported after management's evaluation as to their collectibility and estimated net realizable value. Other significant areas with measurement uncertainty are accounts receivable and deferred revenue. By their nature, these estimates are subject to measurement uncertainty and the impact on the financial statements of future periods could be material.

3. Loans receivable

Outstanding loans to entrepreneurs are interest bearing at fixed rates varying from 8% to 10%, with monthly blended principal and interest repayments amortized for terms of between 12 and 180 months. Regional Relief & Recovery Fund loans do not bear interest and do not require payment until January 1, 2023. Security is taken on these loans as appropriate and includes personal guarantees, general security agreements covering personal and business assets, assignment of insurance, and mortgages on land and buildings.

	Recorded loan	Accrued interest	Allowance	Carrying value	Current portion	Long-term portion
WD Non-repayable Investment Fund	\$ 364,945	\$ -	\$ -	\$ 364,945	\$ 82,680	\$ 282,265
WD Conditionally Repayable Investment Fund	969,422	4,339	-	973,761	282,939	690,822
WD Conditionally Repayable EDP Fund	4,959	-	-	4,959	4,959	-
Regional Relief and Recovery Fund	2,435,000	-	-	2,435,000	20,000	2,415,000
	\$3,774,326	\$ 4,339	\$ -	\$3,778,665	\$ 390,578	\$3,388,087

Included in the WD non-repayable investment fund are three loans issued for \$150,000 or more, with initial loan advances totaling \$566,520. As at year end, these loans combined for a total balance outstanding of \$425,154.

COMMUNITY FUTURES CHINOOK
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2021

3. Loans receivable, continued

During the year, there were the following changes in the allowance for doubtful accounts:

	Beginning balance	Provision	Write-offs	Reversals	Ending balance
WD Non-repayable Investment Fund	\$ -	\$ -	\$ -	\$ -	\$ -
WD Conditionally Repayable Investment Fund	-	1,700	(1,700)	-	-
WD Conditionally Repayable EDP Fund	72,936	1,199	(74,135)	-	-
Regional Relief and Recovery Fund	-	-	-	-	-
	<u>\$ 72,936</u>	<u>\$ 2,899</u>	<u>\$ (75,835)</u>	<u>\$ -</u>	<u>\$ -</u>

Bad debt expense includes \$2,899 of current year provisions and \$3,247 of prior write-offs that were recovered this year.

4. Investments

	2021	2020
WD Conditionally Repayable Investment Fund (cost: 2021 - \$860,711; 2020 - \$840,328)	\$ 910,166	\$ 831,339
WD Conditionally Repayable EDP Fund (cost: 2021 - \$283,158; 2020 - \$276,371)	303,053	276,807
General (cost: 2021 - \$123,409; 2020 - \$120,484)	130,592	119,282
	<u>\$ 1,343,811</u>	<u>\$ 1,227,428</u>

The organization has invested excess cash in the Community Futures Lending & Investment Pool (CFLIP). CFLIP funds are managed in investments which are considered by management to be highly liquid and low risk.

COMMUNITY FUTURES CHINOOK
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2021

5. Deferred revenue

	Opening	Received	Spent	Closing
CREST Project	\$ 81,600	\$ 69,500	\$ (43,546)	\$ 107,554
City of Brooks grant	-	40,997	(8,000)	32,997
Town of Taber interest	8,784	9,856	(6,760)	11,880
City of Brooks interest	-	5,807	(895)	4,912
County of Newell grant	943	-	-	943
Town of Taber grant	340	20,000	(19,700)	640
MD of Taber interest	1,496	-	(1,055)	441
Town of Milk River interest	118	-	(118)	-
Milk River Business Association interest	116	-	(116)	-
Western Economic Diversification	24,580	375,999	(400,579)	-
	<u>\$ 117,977</u>	<u>\$ 522,159</u>	<u>\$ (480,769)</u>	<u>\$ 159,367</u>

6. Due to Government of Canada

Western Economic Diversification contributions are required to be maintained in particular funds. These contributions are available solely for the mandate of each fund.

In prior years, Western Economic Diversification provided contributions totaling \$1,037,500 to improve access to capital for qualifying business.

Upon notice of the Minister of Western Economic Development (the "Minister"), the organization must repay the lesser of the uncommitted cash balance with each of these funds and the amount of the repayable contributions within each funds. As of March 31, 2021, no such notice has been given by the Minister.

In the current year the Government of Canada provided contributions totaling \$2,550,000 for the Regional Relief and Recovery Fund. The contributions are repayable net of any loan forgiveness, losses and loan collection fees.

7. Commitments

The organization has entered into a management agreement with Community Futures Entre-Corp. Under this agreement, the General Manager of Entre-Corp will provide management and business development services to Chinook. Either party has the option to terminate the agreement by giving 90 days written notice. Total payments required for the year ended March 31, 2022 are \$48,000. The agreement expires March 31, 2026.

The organization has committed to contribute \$8,400 of in-kind contributions, for the Community Resiliency and Economic Support for Taber project.

8. Economic dependence

The organization is economically dependent on Western Economic Diversification for its operating funding.

9. Financial instruments

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 financial risk that arises from the credit quality of the entities to which it provides services and loans.

Interest rate risk

The organization is exposed to interest rate risk as the loans receivable bear interest at fixed rates.

10. COVID-19

Events have occurred as a result of the COVID-19 (coronavirus) pandemic that have caused economic uncertainty. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government responses, remain unclear at this time.

Some of the key impacts include, but are not limited to, interruptions of production and supply chains, unavailability of personnel, reductions in revenue, decline in value of financial investments, disruptions or stoppages in non-essential travel, and the closure of facilities and businesses.

The organization's revenues increased due to receiving additional operating funding for the increased costs associated with acting as an agent to disburse the Regional Relief and Recovery Fund. Cash flows were also affected as the organization allowed clients to defer principal payments on loans for the three month period April to June, 2020. The organization is following Government guidelines and has developed policies to ensure the safety of employees is maintained. Management is not aware of any material impairments that will further impact the financial assets or liabilities of the organization due to the pandemic.

The situation is continually changing and the future impact on the organization is not readily determinable at this time.

COMMUNITY FUTURES CHINOOK
SCHEDULE TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2021

Schedule of WD revenue and expenses

Schedule 1

	General Fund	Regional Relief and Recovery Fund	Total
WD contributions	\$ 294,963	\$ 105,616	\$ 400,579
Expenses			
Salaries and benefits	210,759	8,614	219,373
Community and economic development	600	62,824	63,424
Consulting fees	52,200	-	52,200
Office	4,563	25,792	30,355
Rent	15,600	-	15,600
Telephone and utilities	8,643	2,008	10,651
Advertising and promotion	688	6,610	7,298
Professional fees	10,000	-	10,000
Travel	4,665	-	4,665
Insurance and licenses	4,013	-	4,013
GST not recoverable	4,194	-	4,194
Training	332	328	660
Investment fund	1,305	-	1,305
Repairs and maintenance	1,295	-	1,295
Interest and bank charges	300	-	300
	319,157	106,176	425,333
Deficiency of revenue over expenses	\$ (24,194)	\$ (560)	\$ (24,754)