Community Futures Lesser Slave Lake Region Financial Statements March 31, 2019

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#### INDEPENDENT AUDITORS' REPORT

#### To the Members of Community Futures Lesser Slave Lake Region

#### **Opinion**

We have audited the financial statements of the Community Futures Lesser Slave Lake Region (the Organization), which comprise the statement of financial position as at March 31, 2019, and the results of its operations, changes in its net financial assets and cash flows for the years 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 Community Futures Lesser Slave Lake Region as at March 31, 2019, the results of its operations, changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations and accounting principles set out in Note 1.

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

In preparing the financial statements, management is responsible for assessing the Organization'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 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 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 an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement 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 from one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

#### **INDEPENDENT AUDITORS' REPORT - continued**

- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be though to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Scott Mockford, CPA, CA

11210 - 107 Avenue NW Edmonton, Alberta

Loyle 3 Company

T5H 0Y1

June 3, 2019

**Chartered Professional Accountants** 

## **Statement of Financial Position**

As at March 31, 2019

	Operating	In	Investment Fund			Total
	Fund	General	Disabled	Youth	Total 2019	2018
	\$	\$	\$	\$	\$	\$
Current assets						
Cash	160,457	-	-	-	160,457	175,046
Restricted cash (Note 2)	-	1,580,363	60,703	229,738	1,870,804	1,726,729
Investments (Note 3)	-	654,987	-	-	654,987	637,481
Accounts receivable (Note 4)	8,897	-	-	-	8,897	12,500
Prepaid expenses	33,313	-	-	-	33,313	1,869
Interfund receivable	-	17,749	-	_	17,749	35,308
	202,667	2,253,099	60,703	229,738	2,746,207	2,588,933
Loans receivable (Note 5)	-	718,547	-	-	718,547	979,213
Capital assets (Note 6)	50,528		_	_	50,528	13,247
	253,195	2,971,646	60,703	229,738	3,515,282	3,581,393
Current liabilities						15050
Accounts payable (Note 7)	25,312	-	-	-	25,312	15,058
Interfund payable	17,749		_		17,749	35,308
	43,061	-	-	_	43,061	50,366
Repayable grants (Note 8)		_	60,703	229,738	290,441	341,669
	43,061		60,703	229,738	333,502	392,035
Net assets						
Unrestricted	(30,003)	_	_	-	(30,003)	(7,389)
Internally restricted fund (Note 9)	, , ,	2,971,646	_	_	3,161,255	3,183,499
Invested in capital assets	50,528			_	50,528	13,248
	210,134	2,971,646	-	_	3,181,780	3,189,358
	253,195	2,971,646	60,703	229,738	3,515,282	3,581,393

Approved by the Board:	
	Director
	Director

# **Statement of Changes in Net Asset**

## For the year ended March 31, 2019

	Unrestricted \$		Invested in Capital Assets	2019 Total \$	2018 Total \$
Balance, beginning of year	(7,389)	3,183,499	13,248	3,189,358	3,246,187
Excess (deficiency) of revenue over expenses	22,731	(73,472)	(8,065)	(58,806)	(55,912)
Additions to capital assets Inter-fund transfers	(45,345)	51,228	45,345	51,228	(917)
Balance, end of year	(30,003)	3,161,255	50,528	3,181,780	3,189,358

## **Statement of Operations**

## For the year ended March 31, 2019

	Operating Fund	Investment Fund (Schedule 1)	Total 2019	Total 2018
	\$	\$	\$	\$
Revenue				
Contributions	309,963	_	309,963	309,963
Interest income	4,976	98,275	103,251	101,154
Fees and other income	59,300	- J0,275	59,300	62,869
	374,239	98,275	472,514	473,986
Expenses				
Amortization	8,065	_	8,065	4,519
Bad debts	, -	165,084	165,084	148,354
Insurance	3,032	, <u>-</u>	3,032	3,112
Interest and bank charges	12	453	465	562
Office	48,648	_	48,648	32,741
Professional fees	48,811	6,210	55,021	30,205
Publications and advertising	18,426	· -	18,426	10,267
Rent	29,833	-	29,833	30,538
Telephone and utilities	12,175	_	12,175	13,604
Travel	ŕ		ŕ	•
Board	1,153	-	1,153	1,266
Staff	17,039	_	17,039	8,806
Wages and employee benefits	172,379	_	172,379	245,924
	359,573	171,747	531,320	529,898
Excess of revenue over expenses	14,666	(73,472)	(58,806)	(55,912)

## **Statement of Cash Flows**

## For the year ended March 31, 2019

	<b>2019</b> \$	<b>2018</b> \$
Operating Activities		
Cash received from grants	309,963	309,963
Cash received from interest and other income	166,154	153,625
Cash paid to suppliers and employees	(493,218)	(592,523)
	(17,101)	(128,935)
Financing Activities		
Decrease in deferred contributions and advances on funding	-	(29,170)
Increase (decrease) in repayable contributions	(51,228)	918
	(51,228)	(28,252)
Investing Activities		
Increase in investments	(17,506)	(19,847)
Additions in capital assets	(45,345)	-
Decrease in loans receivable	260,666	90,799
	197,815	70,952
Increase (Decrease) in Cash	129,486	(86,235)
Cash, beginning of year	1,901,775	1,988,010
Cash, end of year	2,031,261	1,901,775
Cash is comprised of:		
Cash	160,457	175,046
Restricted cash	1,870,804	1,726,729
	2,031,261	1,901,775

#### **Notes to the Financial Statements**

March 31, 2019

#### Purpose of the Organization

The Community Futures Lesser Slave Lake Region is a community based non-profit corporation which supports the region's plans for community economic development and the generation of additional private sector employment. The corporation is incorporated under the Alberta Companies Act. These financial statements present the combined assets, liabilities and operations of all programs sponsored by the Community Futures Lesser Slave Lake Region. The corporation is exempt from income taxes under the Income Tax Act.

#### 1. Significant Accounting Policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations as issued by the Accounting Standards Board in Canada and include the following significant accounting policies:

#### a) Cash and Cash Equivalents

Cash and cash equivalents consists of bank accounts and temporary investments with maturities of three months or less.

#### b) Amortization

It is the corporation's policy to provide for amortization of capital assets using the declining balance method at the following rates:

Office equipment	20%
Computer equipment	30%

#### c) Investments

Investments are recorded at fair market value.

#### d) Revenue Recognition

The corporation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

#### e) Fund Accounting

The operating fund accounts for the corporation's program delivery and administrative activities.

The investment fund has been established to have money available to provide loans to new businesses in the Lesser Slave Lake and surrounding areas.

#### **Notes to the Financial Statements**

March 31, 2019

#### 1. Significant Accounting Policies - continued

#### f) Financial Instruments

The corporation initially measures financial assets and financial liabilities at their fair value. It subsequently measures its financial assets and financial liabilities, other than investments, at amortized cost. The financial assets subsequently measured at amortized cost include cash and cash equivalents and accounts receivable. The financial liabilities subsequently measured at amortized cost include accounts payable and accrued liabilities. Investments are recorded at fair value.

The corporation risk exposures related to its financial instruments are outlined as follows:

#### **Credit Risk**

The corporation is exposed to credit risk on the accounts receivable and loans receivable from its customers. In order to reduce its credit risk, the company has adopted credit policies which include an analysis of the financial position of its customers and the regular review of their credit limits.

#### **Market Risk**

The Corporation is exposed to risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of of interest rate risk and other price risk.

#### **Interest Rate Risk**

The corporation is exposed to risk that the fair value of financial instruments or future cashflows associated with the instrument will fluctuate due to changes in market interest rates.

#### (g) 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 assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### 2. Restricted Cash

The cash held by the investment fund is restricted for the purpose of that fund, mainly the issuance of general, disabled and youth loans.

The portion of cash and investments held by the operating fund that is restricted is \$189,609 (2018 - \$189,609). This amount has been allocated to various projects and is included with internally restricted funds.

#### **Notes to the Financial Statements**

#### March 31, 2019

# 3. Investments 2019 \$ \$ \$ C-Flip Investment Funds 654,987 637,481

The C-Flip (Community Futures Lending and Investment Pool) Investment 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 C-Flip Investment was started in June, 2000 and is invested largely in bonds which, during the past year, averaged a rate of return of about 4%.

#### 4. Accounts Receivable

	<b>2019</b> \$	<b>2018</b> \$
Trade	7,005	12,500
GST rebate	1,892	_
	8,897	12,500

#### 5. Loans Receivable

The Community Futures Lesser Slave Lake Region has a portfolio of 23 (2018 - 39) loans outstanding with no loan balance in excess of \$200,000. An allowance for doubtful accounts of \$56,003 (2018 - \$508,971) has been provided on specific accounts.

Outstanding loans to entrepreneurs are interest bearing at fixed rates varying from 5.0 - 9.0% above prime with monthly blended principal and interest repayments amortized for terms between 12 and 120 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.

#### 6. Capital Assets

•		2019		2018
	Cost \$	Accumulated Amortization \$	Net Book Value \$	Net Book Value \$
Computer equipment Furniture and equipment	45,671 141,073	35,685 100,531	9,986 40,542	4,987 8,260
2 422200000 40000 40000	186,744	136,216	50,528	13,247

#### **Notes to the Financial Statements**

#### March 31, 2019

Accounts Payable		
	<b>2019</b> \$	<b>2018</b> \$
Trade	22,245	10,258
Government remittances	1,744	4,683
GST payable	1,323	117
	25,312	15,058

#### 8. Conditionally Repayable Loan Funds

	Disabled	Youth	<b>Total 2019</b>	<b>Total 2018</b>
	\$	\$	\$	\$
Initial grant	200,000	200,000	400,000	400,000
1/2 interest earned to March 31, 2001	17,948	1,850	19,798	19,798
Surplus to March 31, 2019	34,344	98,071	132,415	127,159
Loan write-offs	(191,589)	(78,363)	(269,952)	(213,468)
Approved transfers to operating		8,180	8,180	8,180
	60,703	229,738	290,441	341,669

Under the terms and conditions of the contribution agreement with Western Economic Diversification, the Conditional 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 the 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 7; or
- v. An event of default occurs, as described in Section 7 of the Agreement; or
- vi. The Minister does not approve terms and conditions to extend the project beyond the completion date.

## Notes to the Financial Statements

#### March 31, 2019

#### 9. Internally Restricted Fund Balances

These funds have been restricted by the Community Futures Lesser Slave Lake Region's Board of Directors and can only be used for purposes approved by the Board of Directors.

	<b>2019</b> \$	<b>2018</b> \$
Projects Fund	140,434	140,434
Capital Replacement Fund	49,175	49,175
General Investment Fund	2,971,646	2,993,890
	3,161,255	3,183,499

#### 10. Economic Dependence

The Corporation receives almost all of its operating revenues from the federal government and is economically dependent upon it.

#### 11. Lease Commitments

(a) The photocopier lease with Xerox Canada Ltd. is for five and half years commencing March, 2018.

The corporation is committed to annual future minimum lease payments under the lease as follows:

	\$
2020	1,798
2021	1,798
2022	1,798
2023	1,798 899
2024 and thereafter	899
	8,091

(b) The lease term with Allarie Enterprises Ltd. is for five years commencing July, 2019. The lease is for the rental of space required to operate the corporation.

The corporation is committed to annual future minimum lease payments under the lease as follows:

	\$
2020	14,175
2021	18,900
2022	18,900
2023	18,900
2024 and thereafter	23,625
	94,500

# **Schedule of Investment Fund Programs - Schedule 1**

## March 31, 2019

	General Investment \$	Disabled \$	Youth \$	Total 2019 \$	Total 2018 \$
Revenue					
Loan interest	44,561	1,165	4,182	49,908	60,966
Investment interest	48,367		_	48,367	37,151
	92,928	1,165	4,182	98,275	98,117
Expenses					
Bad debts	165,084	-	-	165,084	148,354
Interest and bank charges	362	91	-	453	502
Professional fees 6,210	6,210	_	_	6,210	-
	171,656	91	_	171,747	148,856
Excess of revenue over expenses					
before transfers	(78,728)	1,074	4,182	(73,472)	(50,739)
Transfers surplus to repayable grants	-	(1,074)	(4,182)	(5,256)	(918)
Excess of revenue over expenses	(78,728)	_	-	(78,728)	(51,657)