

**Community Futures
Lesser Slave Lake Region
Financial Statements
March 31, 2020**

Community Futures Lesser Slave Lake Region

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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, 2020, 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, 2020, 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.

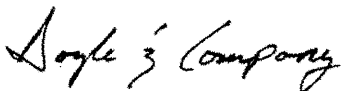
INDEPENDENT AUDITORS' REPORT - continued

- 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 thought 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
T5H 0Y1

June 18, 2020

Chartered Professional Accountants

Community Futures Lesser Slave Lake Region

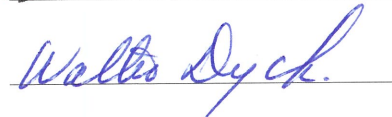
Statement of Financial Position

As at March 31, 2020

	Operating Fund \$	Investment Fund			Total 2020 \$	Total 2019 \$
		General \$	Disabled \$	Youth \$		
Current assets						
Cash	183,273	-	-	-	183,273	160,457
Restricted cash (Note 2)	-	238,417	61,925	862	301,204	1,870,804
Investments (Note 3)	-	1,959,123	-	81,247	2,040,370	654,987
Accounts receivable (Note 4)	5,789	-	-	-	5,789	8,897
Prepaid expenses	22,927	-	-	-	22,927	33,313
Interfund receivable	-	18,481	-	-	18,481	17,749
	211,989	2,216,021	61,925	82,109	2,572,044	2,746,207
Loans receivable (Note 5)	-	784,868	-	154,547	939,415	718,547
Capital assets (Note 6)	45,074	-	-	-	45,074	50,528
	257,063	3,000,889	61,925	236,656	3,556,533	3,515,282
Current liabilities						
Accounts payable (Note 7)	17,919	-	-	-	17,919	25,312
Deferred contributions	25,830	-	-	-	25,830	-
Interfund payable	18,481	-	-	-	18,481	17,749
	62,230	-	-	-	62,230	43,061
Repayable grants (Note 8)	-	-	61,925	236,656	298,581	290,441
	62,230	-	61,925	236,656	360,811	333,502
Net assets						
Unrestricted	(39,851)	-	-	-	(39,851)	(30,003)
Internally restricted fund (Note 9)	189,609	3,000,889	-	-	3,190,498	3,161,255
Invested in capital assets	45,075	-	-	-	45,075	50,528
	194,833	3,000,889	-	-	3,195,722	3,181,780
	257,063	3,000,889	61,925	236,656	3,556,533	3,515,282

Approved by the Board:

 Director

 Director

The accompanying notes form part of these financial statements.

Community Futures Lesser Slave Lake Region

Statement of Changes in Net Asset

For the year ended March 31, 2020

	Unrestricted	Internally	Invested in	2020	2019
	\$	Restricted	Capital Assets	Total	Total
	\$	\$	\$	\$	\$
Balance, beginning of year	(30,003)	3,161,255	50,528	3,181,780	3,189,358
Excess (deficiency) of revenue over expenses	(3,200)	37,383	(12,101)	22,082	(58,806)
Additions to capital assets	(6,648)	-	6,648	-	-
Inter-fund transfers	-	(8,140)	-	(8,140)	51,228
Balance, end of year	(39,851)	3,190,498	45,075	3,195,722	3,181,780

The accompanying notes form part of these financial statements.

Community Futures Lesser Slave Lake Region

Statement of Operations

For the year ended March 31, 2020

	Operating Fund	Investment Fund (Schedule 1)	Total 2020	Total 2019
	\$	\$	\$	\$
Revenue				
Contributions	309,963	-	309,963	309,963
Interest income	4,536	37,158	41,694	103,251
Fees and other income	27,520	-	27,520	59,300
	342,019	37,158	379,177	472,514
Expenses				
Amortization	12,101	-	12,101	8,065
Bad debt (recovery)	-	(18,004)	(18,004)	165,084
Insurance	2,668	-	2,668	3,032
Interest and bank charges	165	235	400	465
Office	54,551	-	54,551	48,648
Professional fees	44,094	17,544	61,638	55,021
Publications and advertising	28,300	-	28,300	18,426
Rent	15,336	-	15,336	29,833
Telephone and utilities	6,317	-	6,317	12,175
Travel				
Board	660	-	660	1,153
Staff	13,956	-	13,956	17,039
Wages and employee benefits	179,172	-	179,172	172,379
	357,320	(225)	357,095	531,320
Excess of revenue over expenses	(15,301)	37,383	22,082	(58,806)

The accompanying notes form part of these financial statements.

Community Futures Lesser Slave Lake Region

Statement of Cash Flows

For the year ended March 31, 2020

	2020	2019
	\$	\$
Operating Activities		
Cash received from grants	309,963	309,963
Cash received from interest and other income	72,322	166,154
Cash paid to suppliers and employees	(350,140)	(493,218)
	32,145	(17,101)
Financing Activities		
Increase in deferred contributions	25,830	-
Increase (decrease) in repayable contributions	8,140	(51,228)
	33,970	(51,228)
Investing Activities		
Increase in investments	(1,385,383)	(17,506)
Additions in capital assets	(6,648)	(45,345)
Decrease (increase) in loans receivable	(220,868)	260,666
	(1,612,899)	197,815
Increase (Decrease) in Cash	(1,546,784)	129,486
Cash, beginning of year	2,031,261	1,901,775
Cash, end of year	484,477	2,031,261
Cash is comprised of:		
Cash	183,273	160,457
Restricted cash	301,204	1,870,804
	484,477	2,031,261

The accompanying notes form part of these financial statements.

Community Futures Lesser Slave Lake Region

Notes to the Financial Statements

March 31, 2020

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.

Community Futures Lesser Slave Lake Region

Notes to the Financial Statements

March 31, 2020

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 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 (2019 - \$189,609). This amount has been allocated to various projects and is included with internally restricted funds.

Community Futures Lesser Slave Lake Region

Notes to the Financial Statements

March 31, 2020

3. Investments

	2020	2019
	\$	\$
C-Flip Investment Funds	2,040,370	654,987

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

	2020	2019
	\$	\$
Trade	2,091	7,005
GST rebate	3,698	1,892
	5,789	8,897

5. Loans Receivable

The Community Futures Lesser Slave Lake Region has a portfolio of 15 (2019 - 23) loans outstanding with no loan balance in excess of \$305,000 (2019 - \$200,000). An allowance for doubtful accounts of \$56,003 (2019 - \$56,003) has been provided on specific accounts.

Outstanding loans to entrepreneurs are interest bearing at fixed rates varying from 5.0 - 9.5% 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

	2020		2019	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Computer equipment	52,318	39,678	12,640	9,986
Furniture and equipment	141,073	108,639	32,434	40,542
	193,391	148,317	45,074	50,528

Community Futures Lesser Slave Lake Region

Notes to the Financial Statements

March 31, 2020

7. Accounts Payable

	2020	2019
	\$	\$
Trade	15,906	22,245
Government remittances	2,013	1,744
GST payable	-	1,323
	17,919	25,312

8. Conditionally Repayable Loan Funds

	Disabled	Youth	Total 2020	Total 2019
	\$	\$	\$	\$
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, 2020	35,566	104,989	140,555	132,415
Loan write-offs	(191,589)	(78,363)	(269,952)	(269,952)
Approved transfers to operating	-	8,180	8,180	8,180
	61,925	236,656	298,581	290,441

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.

Community Futures Lesser Slave Lake Region

Notes to the Financial Statements

March 31, 2020

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.

	2020	2019
	\$	\$
Projects Fund	140,434	140,434
Capital Replacement Fund	49,175	49,175
General Investment Fund	3,000,889	2,971,646
	3,190,498	3,161,255

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:

	\$
2021	1,798
2022	1,798
2023	1,798
2024 and thereafter	899
	6,293

(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:

	\$
2021	18,900
2022	18,900
2023	18,900
2024	18,900
2025 and thereafter	4,725
	80,325

Community Futures Lesser Slave Lake Region

Notes to the Financial Statements

March 31, 2020

12. Subsequent Events

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

The overall effect of these events on the Community Futures Lesser Slave Lake Region and its operations is too uncertain to be estimated at this time. As a result, we are unable to estimate the potential impact on the Community Futures Lesser Slave Lake Region's operations as at the date of these financial statements.

Community Futures Lesser Slave Lake Region
Schedule of Investment Fund Programs - Schedule 1
March 31, 2020

	General Investment	Disabled	Youth	Total 2020	Total 2019
	\$	\$	\$	\$	\$
Revenue					
Loan interest	50,603	1,222	7,681	59,506	49,908
Investment income	(21,595)	-	(753)	(22,348)	48,367
	29,008	1,222	6,928	37,158	98,275
Expenses					
Bad debt (recovery)	(18,004)	-	-	(18,004)	165,084
Interest and bank charges	225	-	10	235	453
Professional fees	17,544	-	-	17,544	6,210
	(235)	-	10	(225)	171,747
Excess of revenue over expenses before transfers	29,243	1,222	6,918	37,383	(73,472)
Transfers surplus to repayable grants	-	(1,222)	(6,918)	(8,140)	(5,256)
Excess of revenue over expenses	29,243	-	-	29,243	(78,728)

The accompanying notes form part of these financial statements.