

COMMUNITY FUTURES CENTRAL ALBERTA



Independent Auditor's Report
and Financial Statements
March 31, 2020



RSM Alberta LLP
546 Laura Ave
Red Deer County, AB T4E 0A5
T +1 403 342 5541
F +1 403 347 3766

INDEPENDENT AUDITOR'S REPORT

To the Directors of Community Futures Central Alberta

Opinion

We have audited the accompanying financial statements of Community Futures Central Alberta (the "Organization"), which comprise the statement of financial position as at March 31, 2020 and the statements of operations and changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Community Futures Central Alberta as at March 31, 2019, and its financial performance and its cash flows for the year ended March 31, 2019 in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of Community Futures Central Alberta 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.

Emphasis of Matter

Without modifying our opinion, we draw attention to note 2 and note 14 to the financial statements which indicate a heightened measurement uncertainty and economic uncertainty caused by the COVID-19 pandemic.

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 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 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.

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

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.

Red Deer County, Alberta
August 21, 2020

RSM Alberta LLP

Chartered Professional Accountants

COMMUNITY FUTURES CENTRAL ALBERTA

Contents

March 31, 2020

Financial Statements	Page
Statement of Operations and Changes in Fund Balances	1 - 2
Statement of Financial Position	3 - 4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 15

COMMUNITY FUTURES CENTRAL ALBERTA
Statement of Operations and Changes in Fund Balances
Year Ended March 31, 2020

	Operating Fund	Non-repayable Fund	Repayable Fund	Entrepreneurs with Disabilities Fund	Total 2020	Total 2019
Revenue						
Contributions						
- Western Economic Diversification	\$ 308,490	\$ -	\$ -	\$ -	\$ 308,490	\$ 308,496
- Other grants	33,063	-	-	-	33,063	-
Interest on loans	-	146,153	-	4,446	150,599	167,417
Administrative and application fees	41,960	-	-	-	41,960	38,115
Investment income	684	8,520	24,222	705	34,131	33,510
Training - Entrepreneurs with Disabilities	19,731	-	-	-	19,731	9,433
Rental income	15,600	-	-	-	15,600	15,600
Courses and seminars	9,419	-	-	-	9,419	10,360
Unrealized gain (loss) on investments	-	-	(28,058)	-	(28,058)	(3,489)
Total revenue (page 2)	\$ 428,947	\$ 154,673	\$ (3,836)	\$ 5,151	\$ 584,935	\$ 579,442

See accompanying notes

COMMUNITY FUTURES CENTRAL ALBERTA
Statement of Operations and Changes in Fund Balances
Year Ended March 31, 2020

	Operating Fund	Non-repayable Fund	Repayable Fund	Entrepreneurs With Disabilities Fund	Total 2020	Total 2019
Total revenue (page 1)	\$ 428,947	\$ 154,673	\$ (3,836)	\$ 5,151	\$ 584,935	\$ 579,442
Expenses						
Salaries and benefits	235,174	-	-	-	235,174	255,219
Loan losses and bad debts	-	225,792	-	-	225,792	195,996
Programs	31,860	-	-	-	31,860	17,551
Professional fees	25,243	-	-	-	25,243	21,446
Office and communication	23,429	-	-	-	23,429	28,962
Training - Entrepreneurs with Disabilities	20,209	-	-	-	20,209	9,433
Building operations	17,736	-	-	-	17,736	17,854
Repairs and maintenance	14,057	-	-	-	14,057	10,470
Amortization	13,086	-	-	-	13,086	13,680
Travel	10,422	-	-	-	10,422	7,672
Advertising and promotion	10,356	-	-	-	10,356	10,372
Special projects	7,096	-	-	-	7,096	2,500
Insurance, licences and dues	5,912	-	-	-	5,912	5,714
Equipment rental	4,497	-	-	-	4,497	4,522
Staff and board development	3,737	-	-	-	3,737	6,670
Non-refundable GST	2,354	-	-	-	2,354	2,332
Directors meetings	1,101	-	-	-	1,101	1,436
Bank charges	-	894	-	-	894	863
Total expenses	426,269	226,686	-	-	652,955	612,692
Excess (deficiency) of revenues over expenses	2,678	(72,013)	(3,836)	5,151	(68,020)	(33,250)
Interfund transfers	6,738	(6,738)	-	-	-	-
Fund balances, beginning of year	385,557	2,860,748	48,954	34,761	3,330,020	3,363,270
Fund balances, end of year	\$ 394,973	\$ 2,781,997	\$ 45,118	\$ 39,912	\$ 3,262,000	\$ 3,330,020

See accompanying notes

COMMUNITY FUTURES CENTRAL ALBERTA
Statement of Financial Position
March 31, 2020

	Operating Fund	Non-repayable Fund	Repayable Fund	Entrepreneurs With Disabilities Fund	Total 2020	Total 2019
ASSETS						
Current assets						
Cash	\$ 54,737	\$ 713,948	\$ -	\$ 1,381	\$ 770,066	\$ 694,601
Short-term investments (note 3)	-	255,728	557,179	-	812,907	816,743
Accounts receivable	36,717	13,908	-	357	50,982	23,743
Prepaid expenses	<u>2,588</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,588</u>	<u>2,267</u>
	94,042	983,584	557,179	1,738	1,636,543	1,537,354
Loans (note 4)	-	1,769,961	-	48,185	1,818,146	1,979,386
Tangible capital assets (note 5)	<u>359,725</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>359,725</u>	<u>366,644</u>
	<u>\$ 453,767</u>	<u>\$ 2,753,545</u>	<u>\$ 557,179</u>	<u>\$ 49,923</u>	<u>\$ 3,814,414</u>	<u>\$ 3,883,384</u>

See accompanying notes

COMMUNITY FUTURES CENTRAL ALBERTA
Statement of Financial Position
March 31, 2020

	Operating Fund	Non-repayable Fund	Repayable Fund	Entrepreneurs With Disabilities Fund	Total 2020	Total 2019
LIABILITIES						
Current liabilities						
Accounts payable and accruals	\$ 26,700	\$ -	\$ -	\$ -	\$ 26,700	\$ 27,653
Deferred contribution (note 6)	25,707	-	-	-	25,707	25,704
Due to (from) other funds	<u>6,380</u>	<u>(28,452)</u>	<u>12,061</u>	<u>10,011</u>	<u>-</u>	<u>-</u>
	58,787	(28,452)	12,061	10,011	52,407	53,357
Conditionally repayable contribution (note 7)	<u>-</u>	<u>-</u>	<u>500,000</u>	<u>-</u>	<u>500,000</u>	<u>500,000</u>
	<u>58,787</u>	<u>(28,452)</u>	<u>512,061</u>	<u>10,011</u>	<u>552,407</u>	<u>553,357</u>
FUND BALANCES						
Share capital (note 8)	7	-	-	-	7	7
Externally restricted (note 9)	-	2,781,997	45,118	39,912	2,867,027	2,944,463
Unrestricted (note 10)	<u>394,973</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>394,973</u>	<u>385,557</u>
	<u>394,980</u>	<u>2,781,997</u>	<u>45,118</u>	<u>39,912</u>	<u>3,262,007</u>	<u>3,330,027</u>
	<u>\$ 453,767</u>	<u>\$ 2,753,545</u>	<u>\$ 557,179</u>	<u>\$ 49,923</u>	<u>\$ 3,814,414</u>	<u>\$ 3,883,384</u>
Commitments (note 11)						
Subsequent event (note 12)						

Approved by the Board:

DocuSigned by:

Russell Crook

Director

D24D2D9667064D0...

DocuSigned by:

Sheena Johnson

Director

DE09271282C9432...

See accompanying notes

COMMUNITY FUTURES CENTRAL ALBERTA**Statement of Cash Flows
Year Ended March 31, 2020**

	Operating Fund	Non-repayable Fund	Repayable Fund	Entrepreneurs With Disabilities Fund	Total 2020	Total 2019
Cash provided by (used for)						
Operating Activities						
Cash received from:						
Grants	\$ 308,493	\$ -	\$ -	\$ -	\$ 308,493	\$ 334,200
Program and other income	92,540	-	-	-	92,540	74,985
Loan interest	-	146,125	-	4,468	150,593	148,177
Investment income	684	8,520	24,222	705	34,131	33,510
Interest and bank charges paid	-	(895)	-	-	(895)	(863)
Cash paid to suppliers and employees	<u>(414,456)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(414,456)</u>	<u>(414,384)</u>
	<u>(12,739)</u>	<u>153,750</u>	<u>24,222</u>	<u>5,173</u>	<u>170,406</u>	<u>175,625</u>
Investing Activities						
Contributions to investment pool	-	(2,140)	(22,082)	-	(24,222)	(149,553)
Interfund transfer	8,848	1,641	(2,140)	(8,349)	-	-
Purchase of tangible capital assets	(6,167)	-	-	-	(6,167)	-
Loan advancements	-	(513,804)	-	-	(513,804)	(602,773)
Loan repayments	-	446,076	-	3,176	449,252	501,600
	<u>2,681</u>	<u>(68,227)</u>	<u>(24,222)</u>	<u>(5,173)</u>	<u>(94,941)</u>	<u>(250,726)</u>
Increase (decrease) in cash	(10,058)	85,523	-	-	75,465	(75,101)
Cash, beginning of year	<u>64,795</u>	<u>628,425</u>	<u>-</u>	<u>1,381</u>	<u>694,601</u>	<u>769,702</u>
Cash, end of year	<u>\$ 54,737</u>	<u>\$ 713,948</u>	<u>\$ -</u>	<u>\$ 1,381</u>	<u>\$ 770,066</u>	<u>\$ 694,601</u>

See accompanying notes

COMMUNITY FUTURES CENTRAL ALBERTA

Notes to the Financial Statements

March 31, 2020

1. Purpose of the Organization and Economic Dependence

Community Futures Central Alberta (the "Organization") is a community based not-for-profit organization, incorporated under the Alberta Companies Act on March 16, 1988. The Government of Canada, through the Department of Western Economic Diversification, supports the Organization pursuant to an agreement ending March 31, 2021. The mission of the Organization is to support community economic development, diversify the economy, support the creation and expansion of small and medium sized enterprises, maintain and create new employment and maintain the Minister's capacity to deliver business services to rural communities in western Canada. The Organization operates in the Red Deer area.

The Organization is exempt from income tax in accordance with Section 149 of the Canadian Income Tax Act. The directors and officers of the Organization are elected volunteers who can not be paid in any form for their services under the bylaws of the Organization.

Approximately, 72% (2019 - 81%) of the Organization's operating revenue is received in the form of a contribution from Western Economic Diversification Canada, a department of the Government of Canada. This revenue is meant to cover the operating costs of the Organization. the Organization's ability to continue viable operations is dependant on continued financial support from the government.

2. Significant Accounting Policies

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

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 at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Significant areas requiring the use of estimates include: allowance for doubtful accounts, valuation of the loans, allowance for loan losses and estimated useful lives of capital assets. Actual results may differ from management's best estimates as additional information becomes available in the future.

COMMUNITY FUTURES CENTRAL ALBERTA

Notes to the Financial Statements

March 31, 2020

2. Significant Accounting Policies (Continued)

Measurement uncertainty (continued)

The Government of Alberta declared a provincial state of emergency as per the Province of Alberta's Public Health Act on March 17, 2020 with respect to COVID-19. In addition, global oil prices plummeted in early 2020. Economic activity in Central Alberta has slowed as result of these two events, increasing economic uncertainty, the full extent of which cannot be predicted. Due to the economic uncertainty, the measurement uncertainty of the estimates and assumptions that affect the reported amounts of loans and allowances is heightened. Other reasonable assumptions and estimates could result in different reported amounts.

Fund accounting

The Organization separates its activities into operating and various investment activities. Operating activities encompass the day to day administration of the Organization while investment activities relate to services provided to small businesses in the form of loans, loan guarantees and equity participation. All operating expenses are paid for by the operating fund.

Non-repayable fund

Under the terms of the agreement with The Department of Western Economic Diversification, the Organization is required to maintain separate accounting records to record income and investments associated with the non-repayable fund. This fund is to include all returns of principal, interest and capital gains from loans and investments made from these funds. During the first three years that the Organization was in operation, no principal investment earnings could be transferred between this fund or any other fund. In subsequent years, where authorized in writing by The Department of Western Economic Diversification, such earnings may be applied to the operating costs of the Organization. This fund is not repayable to Western Economic Diversification at the end of the operating agreement.

Repayable fund

The purpose of the Repayable Fund is to facilitate entrepreneurship in youth by providing access to capital. This fund is to include all returns of principal, interest and capital gains from loans and investments made from this fund. A portion of the interest earned by the Repayable Fund contribution may be used to support the Organization's operating fund with prior written approval from The Department of Western Economic Diversification.

Entrepreneurs with Disabilities fund

The purpose of the Entrepreneurs with Disabilities Fund is to facilitate entrepreneurship in disabled persons by providing access to capital. Under the terms of the agreement with The Department of Western Economic Diversification, the Organization is required to account for these funds separately from the Repayable fund.

COMMUNITY FUTURES CENTRAL ALBERTA

Notes to the Financial Statements

March 31, 2020

2. Significant Accounting Policies (Continued)

Loans

Loans are initially recognized at fair value and subsequently measured at amortized cost less any impairments. Amortized cost is determined by using the effective interest rate method, by applying principal payments received against the loan balances and by reducing the loan balances for any impairments in the collectability of the loans.

The continuing creditworthiness of the borrowers is assessed to determine if a loan is impaired. A loan is classified as impaired when there is certainty that the principal and interest will not be collected.

Allowance for impaired loans

Management identifies potential loans for impairment based upon if the client is maintaining payments and open communication. Management assess a loan as impaired once they believe they have exhausted all means to collect the balance. Impairment is first assessed by reviewing specific loans and assessing collectability. An allowance is recorded based on the aging of loans; a 33.3% allowance is recorded for the total amount of loans in arrears over 150 days, as well as an additional allowance of 5% on amounts over 120 days. An allowance is also recorded for any additional accounts where clients are no longer having open communication with the Business Analyst or General Manager. After applying the above criteria further specific allowances may then be established by reviewing the credit worthiness of individual borrowers and the value of the collateral underlying the loan.

The loans not specifically identified as impaired are then analysed as a group against past loan losses, current economic conditions and other relevant information to determine an estimated impairment allowance for the group.

The specific allowance represents the amount required to reduce the carrying amount of the loans to the higher of the present value of the cash flows expected to be generated from the loans or the amount the entity expects to realize by exercising its right to any collateral held to secure repayment of the loan, net of all costs necessary to exercise those rights.

Write-offs are recorded after all restructuring or collection activities have taken place and the possibility of further recovery is considered by management to be remote.

COMMUNITY FUTURES CENTRAL ALBERTA

Notes to the Financial Statements

March 31, 2020

2. Significant Accounting Policies (Continued)

Tangible capital assets

Tangible capital assets are accounted for at cost. Amortization is based on the estimated useful life of each asset using the following rates and methods:

Building	4% declining balance
Furniture and equipment	20% declining balance
Computer equipment	30% declining balance
Computer software	20% straight line
Signs	20% declining balance

One-half of the normal rates are applied in the year of acquisition. No amortization is calculated in the year of disposition.

During the year, the Organization adopted the new accounting standard for tangible capital assets held by not-for-profit organizations. This standard is applied on a prospective basis. As a result of the implementation of this new standard, the Organization has updated their policy as it relates to the impairment of tangible capital assets as follows:

When conditions indicate a tangible capital asset is impaired, the carrying value of the tangible capital asset is written down to the asset's fair value or replacement cost. The write down of the tangible capital asset is recorded as an expense in the statement of operations. A write-down is not reversed.

Financial instruments

The Organization measures its financial instruments initially at fair value and subsequently at amortized cost, except for cash and short-term investments which are measured at fair value.

Revenue recognition

The Organization follows the restricted fund method of accounting for contributions. Restricted contributions related to general operations are recognized as revenue of the Operating fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate fund in the year received.

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

Loan interest revenue is recognized as earned and collection is reasonably assured using the effective interest rate method at either the interest rate specified in the loan agreement or the interest rate used to discount the future cash flows for the purpose of determining an impairment loss.

Administration and application fees are recognized when charged and collection is reasonably assured.

COMMUNITY FUTURES CENTRAL ALBERTA

Notes to the Financial Statements

March 31, 2020

2. Significant Accounting Policies (Continued)

Revenue recognition (continued)

Rental, courses and seminars, training and other revenue are recognized as revenue when received or receivable, once the service is provided.

Contributed services

Contributed materials and services are recognized in the financial statements when their fair value can be reasonably determined and they are used in the normal course of the Organization's operations and would otherwise have been purchased. No amounts were recognized in the current year.

3. Short-term Investments

Investments comprise of funds contributed into the Community Futures Lending and Investment Pool which is held in trust by Community Futures Network of Alberta. The pool is made up of various investments such as treasury bills, debentures and other securities. The average return on this investment is 3.0% (2019 - 3.3%).

4. Loans

Outstanding loans to small businesses are interest bearing at fixed rates varying from 0% to 12.0% per annum with monthly blended principal and interest repayments amortized for terms between 36 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 buildings.

	Gross Loans	Allowance for Impairment	2020 Net
Non-repayable fund	\$ 2,068,142	\$ 298,181	\$ 1,769,961
Entrepreneurs with disabilities fund	<u>56,004</u>	<u>7,819</u>	<u>48,185</u>
	<u>2,124,146</u>	<u>306,000</u>	<u>1,818,146</u>
Accrued interest	-	-	<u>8,885</u>
	<u>\$ 2,124,146</u>	<u>\$ 306,000</u>	<u>\$ 1,827,031</u>

COMMUNITY FUTURES CENTRAL ALBERTA**Notes to the Financial Statements****March 31, 2020****4. Loans (Continued)**

	Gross Loans	Allowance for Impairment	2019 Net
Non-repayable fund	\$ 2,114,206	\$ 194,000	\$ 1,920,206
Entrepreneurs with disabilities fund	<u>66,998</u>	<u>-</u>	<u>66,998</u>
	2,181,204	194,000	1,987,204
Accrued interest	<u>-</u>	<u>-</u>	<u>8,878</u>
	<u>\$ 2,181,204</u>	<u>\$ 194,000</u>	<u>\$ 1,996,082</u>

The allowance for impairment is split into a specific impairment allowance of \$178,000 (2019 - \$65,434) on impaired loans with a carrying value of \$567,640 (2019 - \$256,041) and a non-specific impairment allowance of \$128,000 (2019 - \$128,566) on the remaining group of Non-repayable fund loans.

5. Tangible Capital Assets

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2020 Net</u>	<u>2019 Net</u>
Land	\$ 160,387	\$ -	\$ 160,387	\$ 160,387
Building	334,414	148,809	185,605	193,338
Furniture and equipment	60,521	59,675	846	1,057
Computer equipment	30,249	19,546	10,703	7,802
Computer software	9,374	8,614	760	2,280
Signs	<u>6,507</u>	<u>5,083</u>	<u>1,424</u>	<u>1,780</u>
	<u>\$ 601,452</u>	<u>\$ 241,727</u>	<u>\$ 359,725</u>	<u>\$ 366,644</u>

6. Deferred Contribution

The current year balance consists of a Western Economic Diversification contribution received for use in the 2021 fiscal year.

	<u>Opening</u>	<u>Received</u>	<u>Recognized</u>	<u>Ending</u>
Western Economic Diversification	<u>\$ 25,704</u>	<u>\$ 308,493</u>	<u>\$ 308,490</u>	<u>\$ 25,707</u>

COMMUNITY FUTURES CENTRAL ALBERTA

Notes to the Financial Statements

March 31, 2020

7. Conditionally Repayable Contribution

Pursuant to an agreement ending March 31, 2021 between the Organization and The Department of Western Economic Diversification (WD) a conditionally repayable contribution of \$500,000 is repayable either at the end of the agreement or with 30 days notice if any of the following conditions occur:

- a) The loans or investments are not administered according to the terms and conditions specified in the agreement;
- b) In the opinion of WD, the loans or investments are not providing satisfactory level of benefits in terms of supporting community economic development, diversifying the economy, supporting the creation and expansion of small and medium sized enterprises, and maintaining and creating new employment in Western Canada;
- c) In the opinion of WD, the loans or investments are no longer necessary or relevant to the development of the Western Canadian economy;
- d) An event of default occurs as described within the agreement;
- e) WD does not approve terms or conditions to extend the project beyond the expiry date of the current agreement; or
- f) The agreement is terminated.

Currently, the Organization's Repayable fund and Entrepreneurs with Disabilities fund have sufficient assets to repay the conditionally repayable contribution. The liability is shown as a liability of the Repayable fund as the Repayable fund has certain investments that can be liquidated if the contribution is required to be repaid. The maximum liability is the lesser of \$500,000 or the net assets of the Repayable and Entrepreneurs with Disabilities funds.

8. Share Capital	2020	2019
-------------------------	-------------	------

Authorized:

Unlimited number of Class A common shares

Issued:

10 Class A shares

\$ 7

\$ 7

COMMUNITY FUTURES CENTRAL ALBERTA

Notes to the Financial Statements

March 31, 2020

9. Externally Restricted Funds

The use of the fund balances are restricted to providing loans to support community economic development, diversifying the economy, supporting the creation and expansion of small and medium sized enterprises, maintaining and creating new employment and maintaining capacity to deliver business services to rural communities in Western Canada.

10. Reserve

During the year, the Organization rented out space in their building for \$1,300 a month. This revenue is recognized in the operating fund. A reserve has been established for the excess of revenues over expenses to be used for future repairs, maintenance and capital expenditures.

	<u>2020</u>	<u>2019</u>
Revenue		
Rental and other	\$ <u>18,418</u>	\$ <u>17,273</u>
Expenses		
Salaries and benefits	4,500	4,500
Training	<u>1,200</u>	<u>838</u>
	<u>5,700</u>	<u>5,338</u>
Excess of revenues over expenses	12,718	11,935
Reserve balance, beginning of year	<u>56,079</u>	<u>44,144</u>
Reserve balance, end of year	<u>\$ 68,797</u>	<u>\$ 56,079</u>

COMMUNITY FUTURES CENTRAL ALBERTA

Notes to the Financial Statements

March 31, 2020

11. Commitments

As at March 31, 2020, all loan investment applications, that were approved by the Board of Directors, were drawn upon with the exception of \$48,525 which is yet to be advanced.

Subsequent to March 31, 2020, loans of \$127,500 were approved by the Board of Directors, of which \$82,000 have been advanced.

Subsequent to March 31, 2020, loans of \$978,000 were approved under the Regional Relief and Recovery Fund identified in note 12, of which \$948,400 have been advanced.

12. Subsequent Event

Since year end, a strain of coronavirus ("COVID-19") has continued to spread globally including in the areas in which the Organization and its clients operate. The COVID-19 pandemic has caused: disruption of regional and global economic activity, have required Federal, Provincial and Local Governments to take emergency actions, significant declines in interest rates and equity market valuations, heightened volatility in the financial markets, the shutdown of countries' borders and directives for residents within the Organization's primary market area to stay at home and for certain business to suspend some or all of their business activities. These actions have affected the operations of the Organization and are expected to impact our financial results in 2021. The Organization has and will continue to take actions to support clients in a manner consistent with current guidance provided by its main funder. Future developments with respect to COVID-19 are highly uncertain and cannot be predicted and new information may emerge concerning the severity of the outbreak and the actions needed to continue to contain the outbreak or treat its impact, among others. The extent to which the COVID-19 outbreak will impact the Organization, results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted, including the scope and duration of the outbreak and additional actions taken by governmental authorities to minimize the financial and economic impact of the COVID-19 outbreak. Other national health concerns, including the outbreak of other contagious diseases or pandemics may adversely affect us in the future.

In response to the COVID-19 pandemic, the Organization deferred all interest and principal payments on outstanding loans for April, May and June 2020. This reduced cash receipts to the Organization by approximately \$25,000 each month.

Subsequent to the year end, the Organization reached an agreement for a new program as part of the Federal COVID-19 Economic Response Plan, the Regional Relief and Recovery Fund. As part of the plan, the Organization has obtained repayable funding of \$1,257,589 to be lent by the Organization to qualifying businesses that have experienced negative economic impact due to COVID-19 and have not accessed similar funding through Federal emergency programs. The funding is repayable net of any loan forgiveness, losses and loan collection fees. The funds are disbursed in loans of \$40,000 at 0% interest, fully repayable by December 2025, with possible loan forgiveness if repaid by December 2022. In addition, the Organization reached an agreement for additional operating funding to cover the administration of this program.

COMMUNITY FUTURES CENTRAL ALBERTA

Notes to the Financial Statements

March 31, 2020

13. Financial Instruments

The Organization's financial instruments consists of cash, short-term investments, accounts receivable, loans, and accounts payable and accruals. It is management's opinion that the Organization is not exposed to significant interest, market, liquidity, currency or credit risk arising from these financial instruments except as follows:

Interest rate risk

The Organization is exposed to interest rate price risk as the short-term investments and loan investments bear interest at fixed interest rates.

Credit risk

The Organization is exposed to credit risk in its normal course of business as it lends money to small businesses who cannot obtain financing from other sources. To mitigate this risk, the Organization regularly reviews loan performance, follows approval procedures and obtains security over funds loaned. There is a concentration of credit risk within the geographical area of Central Alberta as loans are only advanced to businesses operating within this area.

Market risk

The Organization is exposed to market price risk as certain short-term investments are traded in an active market.