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**COMMUNITY FUTURES EAST CENTRAL ALBERTA**

**Financial Statements**

**Year Ended March 31, 2020**

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**NCUBE &  
LANDRY LLP**

CHARTERED PROFESSIONAL ACCOUNTANTS (CPA)

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**AUDITOR'S REPORT  
ON COMPLIANCE WITH AGREEMENT**

We have audited the Community Futures East Central Alberta's compliance as at March 31, 2020 with the criteria established in the Contribution Agreement between Western Economic Diversification and the Community Futures East Central Alberta dated March 17, 2015 and the interpretation of the Agreement as set out in the introduction of notes attached. Compliance with the criteria established by the provisions of the agreement is the responsibility of the board of directors of the Community Futures East Central Alberta. My responsibility is to express an opinion on this compliance.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the Community Futures East Central Alberta complied with the criteria established by the provisions of the agreement referred to above. Such an audit includes examining, on a test basis, evidence supporting compliance, evaluating the overall compliance with the agreement, and where applicable, assessing the accounting principles used and significant estimates made by management.

In our opinion, the Community Futures East Central Alberta is in compliance, in all material respect, with the criteria established by the contribution agreement.

*Ncube & Landry LLP*

Two Hills, Alberta  
August 31, 2020

Chartered Professional Accountants

# COMMUNITY FUTURES EAST CENTRAL ALBERTA

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Year Ended March 31, 2020

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## INDEPENDENT AUDITOR'S REPORT

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To the Members of Community Futures East Central Alberta

We have audited the accompanying financial statements of Community Futures East Central Alberta, which comprise the statement of financial position as at March 31, 2020 and the statements of revenues and expenditures, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Community Futures East Central Alberta as at March 31, 2020 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

*Ncube & Landry LLP*

Two Hills, AB  
August 31, 2020

Chartered Professional Accountants

**COMMUNITY FUTURES EAST CENTRAL ALBERTA**

**Statement of Financial Position**

**March 31, 2020**


	General Fund	Business Centre	Capital Assets	Restricted Non-Repayable	Restricted Repayable	Restricted Disabled	2020	2019
<b>ASSETS</b>								
<b>CURRENT</b>								
Cash	\$ 4,526	\$ 2,204	\$ -	\$ 932,435	\$ 651,591	\$ 133,650	\$ 1,724,406	\$ 1,977,136
Accounts receivable (Note 2)	7,458	1,438	-	496	-	-	9,392	7,423
Interfund AR / AP (Note 3)	-	26,651	-	137,028	-	-	163,679	218,714
Interest receivable (Note 4)	-	-	-	5,470	96,978	2,584	105,032	131,878
Prepaid expenses	2,998	655	-	-	-	-	3,653	3,855
	14,982	30,948	-	1,075,429	748,569	136,234	2,006,162	2,339,006
<b>PROPERTY AND EQUIPMENT (Net) (Note 5)</b>	-	-	186,334	-	-	-	186,334	198,466
<b>LOANS AND NOTES RECEIVABLE (Note 6)</b>	-	-	-	115,452	2,829,364	3,587	2,948,403	2,555,190
	\$ 14,982	\$ 30,948	\$ 186,334	\$ 1,190,881	\$ 3,577,933	\$ 139,821	\$ 5,140,899	\$ 5,092,662



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

	General Fund	Business Centre	Capital Assets	Restricted Non-Repayable	Restricted Repayable	Restricted Disabled	2020	2019
<b>LIABILITIES AND NET ASSETS</b>								
<b>CURRENT</b>								
Accounts payable (Note 7)	\$ 22,264	\$ 95	\$ -	\$ -	\$ -	\$ -	\$ 22,359	\$ 21,916
Inter fund payable (Note 3)	4,857	-	-	-	157,001	1,821	163,679	218,714
Deferred income (Note 8)	25,004	-	-	-	-	-	25,004	25,541
Callable bank loan (Note 9)	-	-	36,815	-	-	-	36,815	59,216
	52,125	95	36,815	-	157,001	1,821	247,857	325,387
	-	-	-	271,614	1,022,722	3,823	1,298,159	1,298,159
<b>LONG TERM DEBT (Note 10)</b>	52,125	95	36,815	271,614	1,179,723	5,644	1,546,016	1,623,546
<b>NET ASSETS</b>								
Share capital (Note 12)	38	-	-	-	-	-	38	38
Net assets	(37,181)	30,853	149,519	919,267	2,398,210	134,177	3,594,845	3,469,078
	(37,143)	30,853	149,519	919,267	2,398,210	134,177	3,594,883	3,469,116
	\$ 14,982	\$ 30,948	\$ 186,334	\$ 1,190,881	\$ 3,577,933	\$ 139,821	\$ 5,140,899	\$ 5,092,662

APPROVED ON BEHALF OF THE BOARD

 Director

 Director

**COMMUNITY FUTURES EAST CENTRAL ALBERTA**  
**Statement of Revenues and Expenditures**  
**Year Ended March 31, 2020**

	Budget General Fund	Actual General Fund	Business Centre	Capital Assets	Restricted Non- Repayable	Restricted Repayable	Restricted Disabled	2020	2019
<b>REVENUES</b>									
Federal contracts	\$ 294,963	\$ 294,963	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 294,963	\$ 294,963
Service and other income	133,865	75,361	-	-	-	-	-	75,361	47,512
Provincial funding	-	-	-	-	-	-	-	-	45,125
Interest income	-	-	112	-	15,300	12,596	2,234	30,242	30,996
Projects and other	-	-	3,670	-	-	-	-	3,670	4,947
Investment interest	-	-	-	-	12,311	235,829	299	248,439	228,505
	428,828	370,324	3,782	-	27,611	248,425	2,533	652,675	652,048
<b>EXPENSES</b>									
Salaries and wages	217,682	214,656	18,691	-	-	-	-	233,347	260,012
Management salaries	66,000	66,000	-	-	-	-	-	66,000	60,000
Travel	37,000	62,047	-	-	-	-	-	62,047	72,028
Telephone and utilities	20,340	20,145	76	-	-	-	-	20,221	28,253
Advertising and promotion	11,126	19,564	275	-	-	-	-	19,839	8,740
Office supplies and postage	12,508	15,163	3,243	-	-	-	-	18,406	34,525
Projects	7,371	7,829	-	-	-	-	-	7,829	2,971
Insurance	4,800	7,125	-	-	-	-	-	7,125	4,505
Repairs and maintenance	7,660	6,615	-	-	-	-	-	6,615	2,570
Property taxes	6,700	6,230	-	-	-	-	-	6,230	6,588
Professional fees	5,500	5,715	-	-	-	-	-	5,715	6,700
Rental	-	3,586	-	-	-	-	-	3,586	-
GST not recoverable	2,400	1,852	-	-	-	-	-	1,852	990
Bank charges and interest	600	1,494	-	-	-	-	-	1,494	1,331
Professional development	7,000	571	-	-	-	-	-	571	17,298
Amortization	-	-	-	12,132	-	-	-	12,132	13,440
Interest on bank loan	1,080	-	-	2,299	-	-	-	2,299	3,197
CFLIP Interest	-	-	-	-	-	-	-	-	48,528
Interest on long term debt	-	-	-	-	7,334	43,319	-	50,653	1,127
Bad debts	-	-	-	-	947	-	-	947	(735)
Client cost	-	-	-	-	-	-	-	-	559
	407,767	438,592	22,285	14,431	8,281	43,319	-	526,908	572,627

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**COMMUNITY FUTURES EAST CENTRAL ALBERTA**

**Statement of Revenues and Expenditures (continued)**

**Year Ended March 31, 2020**

	Budget General Fund	Actual General Fund	Business Centre	Capital Assets	Restricted Non- Repayable	Restricted Repayable	Restricted Disabled	2020	2019
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b>	\$ 21,061	\$ (68,268)	\$ (18,503)	\$ (14,431)	\$ 19,330	\$ 205,106	\$ 2,533	\$ 125,767	\$ 79,421



COMMUNITY FUTURES EAST CENTRAL ALBERTA

Statement of Changes in Net Assets

Year Ended March 31, 2020

	Operating Fund	Business Centre	Capital Assets	Restricted Non- Repayable	Restricted Repayable	Restricted Disabled	2020	2019
<b>NET ASSETS - BEGINNING OF YEAR</b>								
Excess of revenues over expenses	\$ 55,787	\$ 49,356	\$ 139,250	\$ 899,937	\$ 2,193,104	\$ 131,644	\$ 3,469,078	\$ 3,389,657
Fund transfer	(68,268)	(18,503)	(14,431)	19,330	205,106	2,533	125,767	79,421
	(24,700)	-	24,700	-	-	-	-	-
<b>NET ASSETS - END OF YEAR</b>	<b>\$ (37,181)</b>	<b>\$ 30,853</b>	<b>\$ 149,519</b>	<b>\$ 919,267</b>	<b>\$ 2,398,210</b>	<b>\$ 134,177</b>	<b>\$ 3,594,845</b>	<b>\$ 3,469,078</b>

**COMMUNITY FUTURES EAST CENTRAL ALBERTA**

**Statement of Cash Flows**

**Year Ended March 31, 2020**

	General Fund	Business Centre	Capital Assets	Restricted Non-Repayable	Restricted Repayable	Restricted Disabled	2020	2019
<b>OPERATING ACTIVITIES</b>								
Excess (deficiency) of revenues	\$ (68,268)	\$ (18,503)	\$ (14,431)	\$ 19,330	\$ 205,106	\$ 2,533	\$ 125,767	\$ 79,421
Item not affecting cash:								
Amortization of property and equipment	-	-	12,132	-	-	-	12,132	13,440
	(68,268)	(18,503)	(2,299)	19,330	205,106	2,533	137,899	92,861
Changes in non-cash working capital:								
Accounts receivable	(1,901)	(68)	-	-	-	-	(1,969)	(2,890)
Interest receivable	-	-	-	1,297	25,549	-	26,846	(66,813)
Accounts payable	446	-	-	-	-	-	446	11,749
Deferred income	(537)	-	-	-	-	-	(537)	(11,959)
Prepaid expenses	202	-	-	-	-	-	202	(202)
Interfund receivable / payable	75,169	3,001	-	(18,280)	(59,900)	10	-	-
	73,379	2,933	-	(16,983)	(34,351)	10	24,988	(70,115)
Cash flow from operating activities	5,111	(15,570)	(2,299)	2,347	170,755	2,543	162,887	22,746
<b>INVESTING ACTIVITY</b>								
Repayment of loans and notes receivable	-	-	-	101,970	(496,032)	846	(393,216)	241,411
Cash flow from (used by) investing activity	-	-	-	101,970	(496,032)	846	(393,216)	241,411
<b>FINANCING ACTIVITIES</b>								
Callable bank loan	-	-	(22,401)	-	-	-	(22,401)	(21,503)
Approved fund transfer	(24,700)	-	24,700	-	-	-	-	-
Cash flow from (used by) financing activities	(24,700)	-	2,299	-	-	-	(22,401)	(21,503)
<b>INCREASE (DECREASE) IN CASH FLOW</b>	(19,589)	(15,570)	-	104,317	(325,277)	3,389	(252,730)	242,654
Cash - beginning of year	24,115	17,774	-	828,118	976,868	130,261	1,977,136	1,734,481
<b>CASH - END OF YEAR</b>	\$ 4,526	\$ 2,204	\$ -	\$ 932,435	\$ 651,591	\$ 133,650	\$ 1,724,406	\$ 1,977,136

# COMMUNITY FUTURES EAST CENTRAL ALBERTA

## Notes to Financial Statements

Year Ended March 31, 2020

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### INTRODUCTION TO NOTES

The Community Futures East Central Alberta ("the organization") is a community based organization that provides loans and financial services to small businesses that are otherwise unable to obtain financing. The organization is incorporated under the Alberta Companies Act as a non-profit organization. It is exempt from income taxes under the Income Tax Act as a non-profit organization.

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPPO) and, in management's opinion, with consideration of materiality and within the framework of the following accounting policies:

#### Fund accounting

The organization follows the restricted method of accounting for contributions.

The General Fund accounts for the organization's operating costs and general revenues. This fund reports unrestricted resources and restricted operating grants.

The Rural Alberta Business Centre Fund accounts for the organization's business centre activities. This fund reports unrestricted resources and restricted operating grants.

The capital Asset Fund reports the assets, liabilities, revenues and expenses related to the Organization's acquisition of capital assets.

The Loan Investment Funds report restricted resources that are to be used for assistance to small businesses and entrepreneurs in the form of loans, loan guarantees or equity participation. Loans from the Loan Investment Fund for the Disabled are limited to businesses owned and operated by disabled. The organization is restricted in the types of loans that can be made according to its agreement with the federal government.

#### Cash and cash equivalents

The organizations policy is to present bank balances and term deposits with a maturity period of three months or less from the date of acquisition under cash and cash equivalents.

#### Revenue recognition

The organization uses the restricted method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contribution are recognized as revenue when they are received or receivable if the amount to be received can be reasonably estimate and collection is reasonable assured.

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# COMMUNITY FUTURES EAST CENTRAL ALBERTA

## Notes to Financial Statements

Year Ended March 31, 2020

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Property and equipment

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Capital assets are amortized over their estimated useful lives on a declining balance basis at the following rates:

Buildings	5%	declining balance method
Library	20%	declining balance method
Computer equipment	20%	declining balance method
Computer software	20%	declining balance method
Furniture and fixtures	20%	declining balance method

The organization regularly reviews its property and equipment to eliminate obsolete items. Government grants are treated as a reduction of property and equipment cost.

#### Investment loans and accrued interest receivable

Investment loans are classified as held to maturity financial instruments and are recorded at the lower of principle plus accrued interest and estimated realizable value.

Interest income from loans is recorded on the accrual basis for all loans not classified as impaired. Loans are classified as impaired when there is reasonable doubt as to the timely collection of some portion of the principle or interest. This assessment is made by management and the Board of Directors.

#### 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 amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

#### Financial instruments policy

The organization initially measures its financial assets and financial liabilities at fair value. It subsequently measures all its financial assets and financial liabilities at amortized cost. Changes in the fair value are recognized in the statement of operations.

The financial assets subsequently measured at amortized cost include cash, and accounts receivable. The financial liabilities measured at amortized cost include trade accounts payable and accrued liabilities.

### 2. ACCOUNTS RECEIVABLE

	2020	2019
General trade receivable	\$ 2,506	\$ 2,456
Receivable from federal government	6,886	4,967
	<u>\$ 9,392</u>	<u>\$ 7,423</u>



**COMMUNITY FUTURES EAST CENTRAL ALBERTA****Notes to Financial Statements****Year Ended March 31, 2020****3. INTERFUND RECEIVABLE / PAYABLE**

The interfund receivable and payable are the amounts that are required to reimburse the other Funds for receipts and disbursements made on their behalf. These internally restricted amounts are not available for any other purpose without the approval of the board of directors. Interfund amounts bear no interest and are not governed by term of repayment in the year.

**4. INTEREST RECEIVABLE**

	<b>2020</b>	2019
Loan Interest and costs receivable	\$ 137,469	\$ 164,316
Allowance for doubtful accounts	<b>(32,437)</b>	(32,438)
	<b>\$ 105,032</b>	\$ 131,878

**5. PROPERTY AND EQUIPMENT**

	Cost	Accumulated amortization	<b>2020 Net book value</b>	2019 Net book value
Buildings	\$ 334,015	\$ 161,254	\$ 172,761	\$ 181,500
Library	6,440	6,416	24	30
Computer equipment	114,218	113,082	1,136	2,896
Computer software	50,368	43,455	6,913	7,165
Furniture and fixtures	152,548	147,698	4,850	6,062
Furniture and Equipment	3,665	3,015	650	814
	<b>\$ 661,254</b>	<b>\$ 474,920</b>	<b>\$ 186,334</b>	<b>\$ 198,467</b>

**6. INVESTMENT LOANS RECEIVABLE**

Outstanding loans to entrepreneurs are interest bearing at floating rates with blended principle and interest repayments. 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.

**7. ACCOUNTS PAYABLE**

	<b>2020</b>	2019
Trade accounts payable	\$ 17,445	\$ 16,908
Accrued Vacation Pay	<b>4,914</b>	4,913
	<b>\$ 22,359</b>	\$ 21,821



# COMMUNITY FUTURES EAST CENTRAL ALBERTA

## Notes to Financial Statements

Year Ended March 31, 2020

### 8. DEFERRED REVENUE

Deferred revenue represents the amount of the restricted contributions that are related to disbursements of future periods. During the year, the organization received funds for the Rural Alberta Business Centre from the Government of Alberta. These funds are disbursed in accordance with the signed agreement. As at the statement of financial position date, deferred revenue balance was \$25,004 (2019: \$25,541).

### 9. CALLABLE BANK LOAN

The callable bank loan was for the construction of the office building and is authorized to a maximum of \$300,000. The bank loan bears interest at bank prime rate plus 0.85% per annum and is payable in weekly payments of \$475 principle and interest combined.

### 10. LOANS PAYABLE

The line of credit from CFNA is a demand loan requiring monthly payments of interest only. Interest is at prime rate (currently 2.70%) and is secured by a first charge on the loan portfolio.

### 11. ALLOWANCE FOR CREDIT LOSS

An allowance for losses on investment loans is made based on expected loan default rates, potential loss ratios and review of loans portfolio, as determined by management as follows:

	Opening balance	Provision for Credit losses	Actual write offs	Total Column
Non-repayable Investment loans	\$ 30,451	\$ -	\$ -	\$ 30,451
Repayable investment loans	141,838	-	-	141,838
	<u>\$ 172,289</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 172,289</u>

Actual write-offs, net of recoveries, will be deducted from the allowance for credit losses. The provision for credit losses in the statement of income and changes in fund balances is charged with an amount sufficient to keep the balance in the allowance for credit losses adequate to absorb all credit related losses.

### 12. SHARE CAPITAL

Authorized:

50 Shares

Issued:

Common shares

	2020	2019
	<u>\$ 38</u>	<u>\$ 38</u>

No more than 38 shares may be outstanding at any one time. No dividends are payable on these shares.

# COMMUNITY FUTURES EAST CENTRAL ALBERTA

## Notes to Financial Statements

Year Ended March 31, 2020

### 13. EXTERNALLY RESTRICTED NET ASSETS

Loan funds contributed by the government are classified as non-repayable, repayable and disabled according to the restrictions placed on their use and the terms of the program for which they were advanced. Externally imposed restrictions on loan investments fund balances are as follow:

	2020	2019
<b>Loan Investment Funds</b>		
Non-repayable	\$ 115,452	\$ 217,423
Conditionally repayable fund	2,829,364	2,333,335
Conditionally repayable disabled fund	3,587	4,432
	<b>\$ 2,948,403</b>	<b>\$ 2,555,190</b>

Under the terms and conditions of the contribution agreement with the Department of Western Economic Diversification, Loan investment funds include Conditionally Repayable Funds in the amount of \$950,000 that are repayable if any of the following conditions occur:

1. The Conditionally Repayable Investment Fund is not administered according to the terms and conditions specified in the Agreement; or
2. Based on review and evaluation of the operations and the Conditionally Repayable Investment Funds of the Organization, the Conditionally Repayable Investment Fund is not providing 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
3. In the opinion of the Minister, the Conditionally Repayable Fund is no longer necessary or relevant to the development of the western Canadian economy; or
4. The Agreement is terminated as described in Section 12 of the agreement; or
5. An event of default occurs, as described in Section 7 of the agreement; or
6. The Minister does not approve terms and conditions to extend the Project beyond the Completion Date or the Corporation does not agree to extend the Project beyond the Completion Date of March 31, 2020.

## COMMUNITY FUTURES EAST CENTRAL ALBERTA

### Notes to Financial Statements

Year Ended March 31, 2020

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#### 14. FINANCIAL INSTRUMENTS

##### Risks and concentrations

The organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the Company's risk exposure and concentrations at March 31, 2020.

##### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The association's main interest rate risk involves the loans receivable and loans payable.

##### Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The organization's main credit risk relate to its interest receivable and loans receivable. In order to reduce its risk, the organization has adopted credit policies and all loans are approved by the Board of Directors. The organization also provides for doubtful accounts based on estimated realizable value of the investment loans receivable.

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#### 15. ECONOMIC DEPENDENCE

The organization receives a significant portion of its operating revenues from federal, provincial and municipal governments and is economically dependent upon them.

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