

Community Futures
Grande Prairie & Region
Financial Statements
For the year ended March 31, 2021

Community Futures Grande Prairie & Region

Financial Statements

For the year ended March 31, 2021

	Contents
Independent Auditor's Report	2 - 3
Financial Statements	
Statement of Financial Position - Combined	4
Statement of Changes in Fund Balances - Combined	5
Statement of Financial Position - Operating Fund	6
Statement of Changes in Fund Balances - Operating Fund	7
Statement of Financial Position - Investment Fund	8
Statement of Changes in Fund Balances - Investment Fund	9
Statement of Financial Position - RRRF Fund	10
Statement of Operations - Operating Fund	11
Statement of Operations - Investment Fund	12
Statement of Operations and Changes in Fund Balances - RRRF Fund	13
Statement of Cash Flows	14
Notes to the Financial Statements	15 - 25
Schedule of General and Administrative Expenses - Operating Fund	26



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Independent Auditor's Report

To the Board of Directors of Community Futures Grande Prairie & Region

Qualified Opinion

We have audited the financial statements of Community Futures Grande Prairie & Region (the "Organization"), which comprise the statements of financial position as at March 31, 2021, and the statements of changes in fund balances, statements of operations and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies. The financial statements have been prepared by management of the Organization based on the financial reporting provisions of Western Economic Diversification as described in Note 1.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2021, and its results of operations and its cash flows for the year then ended in accordance with the financial reporting provisions of Western Economic Diversification as described in Note 1.

Basis for Qualified Opinion

Due to a lack of information available in the prior year in regards to Liquid Chicks Inc., management was unable to determine the related share of investment income or loss for the year ended March 31, 2020 in accordance with the equity method of accounting for this investment. In addition, management was unable to assess whether there should be any indicators of impairment related to this investment and whether an impairment loss should be recorded at March 31, 2020. Consequently, we were unable to determine whether any adjustments for investment income was required to Liquid Chicks Inc. investment balance at March 31, 2020 and whether any adjustments for impairment was required to the deficiency of revenue over expenses for the years ended March 31, 2021 and March 31, 2020. Due to the lack of financial information available in the prior year in regards to Liquid Chicks Inc., the financial statements also do not include the required comparative disclosures related to the investment.

Our audit opinion on the financial statements for the year ended March 31, 2020 was modified accordingly because of the effects of this matter.

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 qualified audit opinion.

Emphasis of Matter - Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 to the financial statements which describes the basis of accounting. The financial statements are prepared to assist the Organization to meet the requirements of Western Economic Diversification. As a result, the financial statements may not be suitable for another purpose.

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 the financial reporting provisions of Western Economic Diversification as described in Note 1, 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.



Independent Auditor's Report (continued)

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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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.

BDO Canada LLP

Chartered Professional Accountants

Edmonton, Alberta

July 8, 2021

Community Futures Grande Prairie & Region
Statement of Financial Position - Combined

March 31				2021	2020
	Operating Fund	Investment Fund	RRRF Fund	Total	Total
Assets					
Current					
Cash (Note 2)	\$ 665,194	\$ 775,585	\$ 1,453,871	\$ 2,894,650	\$ 817,546
Accounts receivable	11,442	-	-	11,442	16,264
Accrued interest receivable (Note 3)	-	19,518	-	19,518	103,639
Dividends receivable	-	208,214	-	208,214	-
Other receivables	-	2,226	-	2,226	2,128
Interfund receivable	6,794	11,219	-	18,013	11,370
	<u>683,430</u>	<u>1,016,762</u>	<u>1,453,871</u>	<u>3,154,063</u>	<u>950,947</u>
Loans receivable (Note 4)	-	5,011,900	3,096,222	8,108,122	5,174,689
Long-term investments (Note 5)	-	-	-	-	117,380
Capital assets (Note 7)	11,178	-	-	11,178	20,289
	<u>\$ 694,608</u>	<u>\$ 6,028,662</u>	<u>\$ 4,550,093</u>	<u>\$ 11,273,363</u>	<u>\$ 6,263,305</u>

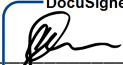
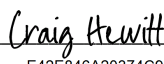
Liabilities

Current					
Revolving loan (Note 8)	\$ -	\$ 4,200,000	\$ -	\$ 4,200,000	\$ 4,200,000
Accounts payable and accrued liabilities	88,540	1,723	54,953	145,216	57,936
Interfund payable	11,219	-	6,794	18,013	11,370
Deferred revenue (Note 10)	265,629	-	-	265,629	275,275
Lease incentive	9,706	-	-	9,706	21,354
	<u>375,094</u>	<u>4,201,723</u>	<u>61,747</u>	<u>4,638,564</u>	<u>4,565,935</u>
Due to Community Futures Network of Alberta (Note 12)	-	-	5,818,865	5,818,865	-
	<u>375,094</u>	<u>4,201,723</u>	<u>5,880,612</u>	<u>10,457,429</u>	<u>4,565,935</u>

Net Assets (Deficit)

Fund balances	319,514	1,826,939	(1,330,519)	815,934	1,697,370
	<u>\$ 694,608</u>	<u>\$ 6,028,662</u>	<u>\$ 4,550,093</u>	<u>\$ 11,273,363</u>	<u>\$ 6,263,305</u>

Approved by the Board:

DocuSigned by:  _____, Director
 DocuSigned by: 6873818A1653489...
 _____, Director
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The accompanying notes and schedule are an integral part of these financial statements.

Community Futures Grande Prairie & Region Statement of Changes in Fund Balances - Combined

For the year ended March 31, 2021

	Operating Fund		Investment Fund	RRRF Fund		Total
	Capital	Unrestricted		Operating	Investment	
Balance, beginning of year	\$ 20,289	\$ (57,594)	\$ 1,734,675	\$ -	\$ -	\$ 1,697,370
Excess (deficiency) of revenue over expenses for the year	-	356,819	92,264	(6,794)	(1,323,725)	(881,436)
Amortization	(9,111)	9,111	-	-	-	-
Balance, end of year	\$ 11,178	\$ 308,336	\$ 1,826,939	\$ (6,794)	\$ (1,323,725)	\$ 815,934

For the year ended March 31, 2020

	Operating Fund		Investment Fund	RRRF Fund		Total
	Capital	Unrestricted		Operating	Investment	
Balance, beginning of year	\$ 29,691	\$ (65,879)	\$ 2,128,276	\$ -	\$ -	\$ 2,092,088
Deficiency of revenue over expenses for the year	-	(51,117)	(343,601)	-	-	(394,718)
Amortization	(9,402)	9,402	-	-	-	-
Transfers	-	50,000	(50,000)	-	-	-
Balance, end of year	\$ 20,289	\$ (57,594)	\$ 1,734,675	\$ -	\$ -	\$ 1,697,370

The accompanying notes and schedule are an integral part of these financial statements.

Community Futures Grande Prairie & Region Statement of Financial Position - Operating Fund

March 31	2021	2020
Assets		
Current		
Cash (Note 2)	\$ 665,194	\$ 292,077
Accounts receivable	11,442	16,264
Interfund receivable	6,794	-
	683,430	308,341
Capital assets (Note 7)	11,178	20,289
	\$ 694,608	\$ 328,630
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 88,540	\$ 57,936
Interfund payable	11,219	11,370
Deferred revenue (Note 10)	265,629	275,275
Lease incentive	9,706	21,354
	375,094	365,935
Net Assets (Deficit)		
Fund balances		
Unrestricted	308,336	(57,594)
Capital	11,178	20,289
	319,514	(37,305)
	\$ 694,608	\$ 328,630

The accompanying notes and schedule are an integral part of these financial statements.

Community Futures Grande Prairie & Region
Statement of Changes in Fund Balances - Operating Fund

For the year ended March 31 2021 2020

Unrestricted Fund Balance

Balance, beginning of year	\$	(57,594)	\$	(65,879)
Excess (deficiency) of revenue over expenses for the year		356,819		(51,117)
Transfer from Investment Fund		-		50,000
Transfer of net operating funds invested in capital assets		9,111		9,402
Balance, end of year	\$	308,336	\$	(57,594)

Capital Fund Balance

Balance, beginning of year	\$	20,289	\$	29,691
Amortization		(9,111)		(9,402)
Balance, end of year	\$	11,178	\$	20,289

The accompanying notes and schedule are an integral part of these financial statements.

Community Futures Grande Prairie & Region
Statement of Financial Position - Investment Fund

March 31				2021	2020
	Regular Non-repayable	Regular Repayable	Disabled Repayable	Total	Total
Assets					
Current					
Cash	\$ 2,031,960	\$(1,299,339)	\$ 42,964	\$ 775,585	\$ 525,469
Accrued interest receivable (Note 3)	16,797	2,693	28	19,518	103,639
Dividends receivable	208,214	-	-	208,214	-
Other receivables	2,226	-	-	2,226	2,128
Due from Operating Fund	11,219	-	-	11,219	11,370
Interfund receivable (payable)	1,611,061	(1,417,907)	(193,154)	-	-
	3,881,477	(2,714,553)	(150,162)	1,016,762	642,606
Loans receivable (Note 4)	3,320,529	1,544,626	146,745	5,011,900	5,174,689
Long-term investments (Note 5)	-	-	-	-	117,380
	\$ 7,202,006	\$(1,169,927)	\$ (3,417)	\$ 6,028,662	\$ 5,934,675
Liabilities					
Current					
Revolving loan (Note 8)	\$ 4,200,000	\$ -	\$ -	\$ 4,200,000	\$ 4,200,000
Accounts payable and accrued liabilities	1,723	-	-	1,723	-
	4,201,723	-	-	4,201,723	4,200,000
Net Assets (Deficit)					
Fund balances					
Investment Fund	3,000,283	(1,169,927)	(3,417)	1,826,939	1,734,675
	\$ 7,202,006	\$(1,169,927)	\$ (3,417)	\$ 6,028,662	\$ 5,934,675

The accompanying notes and schedule are an integral part of these financial statements.

Community Futures Grande Prairie & Region
Statement of Changes in Fund Balances - Investment Fund

For the year ended March 31

2021

2020

	Regular Non-repayable	Regular Repayable	Disabled Repayable	Total	Total
Balance, beginning of year	\$ 2,846,424	\$(1,193,935)	\$ 82,186	\$ 1,734,675	\$ 2,128,276
Excess (deficiency) of revenue over expenses for the year	153,859	24,008	(85,603)	92,264	(343,601)
Transfer to Operating Fund	-	-	-	-	(50,000)
Balance, end of year	\$ 3,000,283	\$(1,169,927)	\$ (3,417)	\$ 1,826,939	\$ 1,734,675

The accompanying notes and schedule are an integral part of these financial statements.

Community Futures Grande Prairie & Region
Statement of Financial Position - RRRF Fund

March 31				2021	2020
	Operating Fund	Investment/ Loan Fund	Total	Total	
Assets					
Current					
Cash	\$ -	\$ 1,453,871	\$ 1,453,871	\$ -	
	-	1,453,871	1,453,871	-	
Loans receivable (Note 4)	-	3,096,222	3,096,222	-	
	\$ -	\$ 4,550,093	\$ 4,550,093	\$ -	
Liabilities					
Current					
Accounts payable and accrued liabilities	\$ -	\$ 54,953	\$ 54,953	\$ -	
Due to Operating Fund	6,794	-	6,794	-	
	6,794	54,953	61,747	-	
Due to Community Futures					
Network of Alberta (Note 12)	-	5,818,865	5,818,865	-	
	6,794	5,873,818	5,880,612	-	
Net Assets (Deficit)					
Fund balances					
Investment Fund	(6,794)	(1,323,725)	(1,330,519)	-	
	\$ -	\$ 4,550,093	\$ 4,550,093	\$ -	

The accompanying notes and schedule are an integral part of these financial statements.

Community Futures Grande Prairie & Region Statement of Operations - Operating Fund

For the year ended March 31	2021	2020
Revenue		
Advisory Service Voucher Program	\$ 63,494	\$ -
Business Coaching	1,000	6,100
Business Incubator Program	41,055	54,740
Contributions from Federal Government	308,493	308,493
Digital Marketing Training Series	47,840	-
Growing the North Conference	7,000	11,250
Other projects and services	28,728	41,499
Rent	61,299	84,515
RIN	60,000	43,385
Shell Live Wire	67,468	-
Grande Prairie Regional Innovation Network Project	462,134	312,926
	<u>1,148,511</u>	<u>862,908</u>
Expenses		
General and administrative (Schedule)	849,868	914,025
	<u>849,868</u>	<u>914,025</u>
Excess (deficiency) of revenue over expenses before the undernoted	298,643	(51,117)
Government assistance - COVID-19 programs	58,176	-
	<u>58,176</u>	<u>-</u>
Excess (deficiency) of revenue over expenses for the year	<u>\$ 356,819</u>	<u>\$ (51,117)</u>

The accompanying notes and schedule are an integral part of these financial statements.

Community Futures Grande Prairie & Region
Statement of Operations - Investment Fund

For the year ended March 31				2021	2020
	Regular Non-repayable	Regular Repayable	Disabled Repayable	Total	Total
Revenue					
Interest and fees	\$ 33,928	\$ 95,129	\$ 1,888	\$ 130,945	\$ 387,286
Investment income and bank interest	1,663	1,663	1,663	4,989	7,794
	<u>35,591</u>	<u>96,792</u>	<u>3,551</u>	<u>135,934</u>	<u>395,080</u>
Expenses					
Bad debts expense (recovery) (Note 4)	(63,847)	36,371	52,741	25,265	464,015
Bank charges and other	880	880	880	2,640	3,222
Collection	1,342	1,342	1,342	4,026	8,833
Revolving loan interest	34,191	34,191	34,191	102,573	168,126
	<u>(27,434)</u>	<u>72,784</u>	<u>89,154</u>	<u>134,504</u>	<u>644,196</u>
Excess (deficiency) of revenue over expenses before the undernoted	63,025	24,008	(85,603)	1,430	(249,116)
Income (loss) from equity investment (Notes 5 and 6)	90,834	-	-	90,834	(94,485)
Excess (deficiency) of revenue over expenses for the year	<u>\$ 153,859</u>	<u>\$ 24,008</u>	<u>\$ (85,603)</u>	<u>\$ 92,264</u>	<u>\$ (343,601)</u>

The accompanying notes and schedule are an integral part of these financial statements.

Community Futures Grande Prairie & Region
Statement of Operations and Changes in Fund Balances - RRRF Fund

For the initial year ended March 31, 2021

	Operating Fund	Investment Fund	Total
RRRF operating revenue	\$ 253,500	\$ -	\$ 253,500
Expenses			
Advertising	5,100	-	5,100
Forgivable portion of loans receivable (Note 12)	-	1,323,725	1,323,725
Office	38,671	-	38,671
Project costs	22,673	-	22,673
Rent	15,000	-	15,000
Repairs and maintenance	2,050	-	2,050
Sponsorship	2,650	-	2,650
Telephone	5,000	-	5,000
Wages and benefits	169,150	-	169,150
	<u>260,294</u>	<u>1,323,725</u>	<u>1,584,019</u>
Deficiency of revenue over expenses for the year, being fund balance, end of year	\$ (6,794)	\$ (1,323,725)	\$(1,330,519)

The accompanying notes and schedule are an integral part of these financial statements.

Community Futures Grande Prairie & Region
Statement of Cash Flows

For the year ended March 31	Operating Fund	Investment Fund			RRRF Fund		2021 Total	2020 Total
		Non-repayable	Repayable	Disabled	Operating	Investment/ Loan		
Operating activities								
Cash received from government contracts	\$ 1,062,438	\$ -	\$ -	\$ -	\$ 253,500	\$ 5,873,818	\$ 7,189,756	\$ 756,636
Cash received from other revenue	138,996	-	-	-	-	-	138,996	108,558
Loans advanced (repayments), net	-	176,560	(45,380)	6,344	-	14,953	152,477	41,574
Loans issued to secondary borrowers	-	-	-	-	-	(4,434,900)	(4,434,900)	-
Cash paid to suppliers for goods and services	(821,372)	(499)	(2,222)	(2,222)	(260,294)	-	(1,086,609)	(907,820)
Interest received	-	112,890	102,558	4,509	-	-	219,957	385,981
Interest paid	-	(34,191)	(34,191)	(34,191)	-	-	(102,573)	(168,126)
	<u>380,062</u>	<u>254,760</u>	<u>20,765</u>	<u>(25,560)</u>	<u>(6,794)</u>	<u>1,453,871</u>	<u>2,077,104</u>	<u>216,803</u>
Financing activities								
Transfer from (to) other funds	(6,945)	(71,575)	36,976	34,750	6,794	-	-	-
Repayment of revolving loan	-	-	-	-	-	-	-	(200,000)
	<u>(6,945)</u>	<u>(71,575)</u>	<u>36,976</u>	<u>34,750</u>	<u>6,794</u>	<u>-</u>	<u>-</u>	<u>(200,000)</u>
Net change in cash	373,117	183,185	57,741	9,190	-	1,453,871	2,077,104	16,803
Cash, beginning of year	<u>292,077</u>	<u>1,848,775</u>	<u>(1,357,080)</u>	<u>33,774</u>	<u>-</u>	<u>-</u>	<u>817,546</u>	<u>800,743</u>
Cash, end of year	\$ 665,194	\$ 2,031,960	\$ (1,299,339)	\$ 42,964	\$ -	\$ 1,453,871	\$ 2,894,650	\$ 817,546

The accompanying notes and schedule are an integral part of these financial statements.

Community Futures Grande Prairie & Region Notes to the Financial Statements

March 31, 2021

Nature of Operations

Community Futures Grande Prairie & Region (the "Organization") has a mandate to increase economic and social well-being throughout the region by assisting, supporting and investing in small businesses. The main focus is to maximize job creation and maintenance by providing small business consulting services and management of an Investment Fund as well as supporting small businesses dealing with the impacts of COVID-19 through the RRRF Fund. The Organization is exempt from income taxes under Section 149 of the Income Tax Act.

1. Summary of Significant Accounting Policies

(a) Basis of Accounting

These statements are prepared on an accrual basis of accounting using Canadian accounting standards for not-for-profit organizations as the underlying basis of accounting. As required by Western Economic Diversification, the Organization follows Canadian accounting standards for not-for-profit organizations except with regards to the initial measurement of financial instruments. Accounting for the Investment Funds payable to Western Economic Diversification is as described in Note 11.

(b) Management Estimates

The preparation of financial statements in accordance 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 reporting period. Significant estimates made by management include the valuation provision for accrued interest, loans in arrears and the valuation of investments (Note 6). Actual results could differ from management's best estimates as additional information becomes available in the future.

(c) Financial Instruments

The Organization initially measures its financial assets and liabilities at cost adjusted by the amount of transaction costs directly attributable to the instrument, except for loans receivable in the RRRF Fund, which are measured at cost less the forgivable portion of the debt. Amounts due to and from related parties are measured at the exchange amount, being the amount agreed to by the related parties.

The Organization subsequently measures its financial assets and financial liabilities at amortized cost, except for derivatives and equity securities quoted in an active market, which are subsequently measured at fair value. Changes in fair value are recognized in operations.

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in operations.

Community Futures Grande Prairie & Region Notes to the Financial Statements

March 31, 2021

1. Summary of Significant Accounting Policies (continued)

(d) Fund Accounting

The Organization follows the restricted fund method of accounting for contributions. The Operating Fund accounts for the Organization's operating costs and general revenue. This fund reports unrestricted resources and restricted operating grants.

The Investment Fund reports externally 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 investment fund for the disabled are limited to businesses owned and operated by disabled entrepreneurs. The Organization is restricted in the types of loans that can be made according to its agreement with the Federal Government.

The non-repayable funds are not conditionally repayable to Western Economic Diversification. These funds represent the year over year growth of initial dollars that were invested by the Federal Government for the purposes of providing financial assistance to individuals or companies planning to start, grow or purchase a business in the Grande Prairie Region. The repayable fund represents funds that are conditionally repayable to Western Economic Diversification as described in Note 11.

The RRRF Fund reports externally restricted resources that are to be used for assistance to small businesses and entrepreneurs in the form of RRRF loans. The Organization is restricted in the types of loans that can be made according to its agreement with Community Futures Network of Alberta.

(e) Long-term Investments

The long-term investments that are subject to control or significant influence are accounted for using the equity method.

Long-term investments that are not subject to control or significant influence are recorded at cost.

A provision is made for impairment in value when there is a significant adverse change in the expected timing or amount of future cash flows associated with the investment.

(f) Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization is recorded on the declining balance basis (except for leasehold improvements) at rates designed to amortize the cost of the capital assets over their estimated useful lives. Amortization rates are as follows:

Furniture and fixtures	20%
Computer equipment	30%
Computer software	100%
Leasehold improvements	5 year straight line

(g) Contributed Services

Volunteers contribute many hours annually to assist the Organization in carrying out specific program activities. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

Community Futures Grande Prairie & Region Notes to the Financial Statements

March 31, 2021

1. Summary of Significant Accounting Policies (continued)

(h) Leased Assets

Leases entered into that transfer substantially all the benefits and risks associated with ownership are recorded as the acquisition of a capital asset and the incurrence of an obligation. The obligation, including interest thereon, is liquidated over the term of the lease. All other leases are accounted for as operating leases and the rental costs are expensed as incurred.

(i) Impairment of Long-lived Assets

If events or circumstances indicate that the carrying value of any long-lived asset may be impaired, a recoverability analysis is performed based upon estimated undiscounted cash flows to be generated by the long-lived asset. If the analysis indicates that the carrying value is not recoverable from future cash flows, the asset is written down to estimated fair value and an impairment loss is recognized.

(j) Revenue Recognition

The Organization recognizes Operating Fund and RRRF fund revenue when earned based on the terms of the agreements. Deferred revenue consists of funds received under such agreements for which the related expenses have not been incurred. They will be recognized as revenue in the year in which the related expenses are incurred.

Interest revenue is recorded when the amount to be received can be reasonably estimated and collection is reasonably assured.

(k) Government Assistance

The Organization has applied for the Canada Emergency Wage Subsidy ("CEWS") implemented by the Federal Government to assist small businesses affected by COVID-19. The government subsidy is recognized into income once there is reasonable assurance that the Organization has complied with the requirements of the assistance. The subsidy received is recorded as government assistance - COVID-19 programs.

2. Cash

The Organization's Operating Fund cash balance is made up of the following items :

	2021	2020
Cash restricted for use in specific programs	\$ 431,928	\$ 234,298
Unrestricted cash	233,266	57,779
Net cash position	\$ 665,194	\$ 292,077

Community Futures Grande Prairie & Region Notes to the Financial Statements

March 31, 2021

3. Accrued Interest Receivable

Accrued interest receivable is the interest that has been earned but not yet received by the Organization. This is a current asset as it is expected to be received within one fiscal year and is summarized as follows:

	Regular Non-repayable	Regular Repayable	Disabled Repayable	2021 Total	2020 Total
Accrued interest	\$ 18,048	\$ 8,941	\$ 2,772	\$ 29,761	\$ 225,979
Accrued interest on loans included in valuation provision (Notes 4 and 6)	(1,251)	(6,248)	(2,744)	(10,243)	(122,340)
	<u>\$ 16,797</u>	<u>\$ 2,693</u>	<u>\$ 28</u>	<u>\$ 19,518</u>	<u>\$ 103,639</u>

4. Loans Receivable

Loans receivable are classified as long-term assets. No current portion has been set up as it is difficult to estimate the amount that can be reasonably considered to be collectible within a one year period. Loans bear interest at fixed rates from 3% to 10%. Fixed rate loans are subject to interest rate price risk, as the value of the loans will fluctuate based on changes in market interest rates. Loans receivable, consisting of loans to businesses, have varying maturity dates ranging from May 2021 to July 2028. Substantially all loans require monthly, bi-weekly or weekly repayments. Valuation provision has been set up for the entire loan balance of all loans determined to be impaired. The three loan categories are summarized as follows:

	Regular Non-repayable	Regular Repayable	Disabled Repayable	2021 Total	2020 Total
Loan portfolio	\$ 3,619,373	\$ 1,706,475	\$ 196,743	\$ 5,522,591	\$ 6,412,854
Valuation provision	(298,844)	(161,849)	(49,998)	(510,691)	(1,238,165)
	<u>\$ 3,320,529</u>	<u>\$ 1,544,626</u>	<u>\$ 146,745</u>	<u>\$ 5,011,900</u>	<u>\$ 5,174,689</u>

There are securities held against the loans advanced to all the borrowers. Generally, the securities include borrowers' personal and/or company assets, and there is always a continuing personal guarantee from the shareholders of the borrowers for all the business owners.

The RRRF loans were provided to businesses with up to \$60,000 each to finance qualifying expenses during COVID-19. The loans are non-interest bearing, with no scheduled payments until December 31, 2022. If the balance of the loan has been repaid by that date, 25% of the first \$40,000 and 50% of amounts above \$40,000 and up to \$60,000 will be forgiven. If the full amount of the loan payments have not been made by December 31, 2022, the full outstanding balance of the loan will be converted to a 5% interest bearing loan to be repaid in monthly instalments over a three year period ending December 31, 2025.

These loans were financed via the conditionally payable loan from Community Futures Network of Alberta (Note 12).

Community Futures Grande Prairie & Region Notes to the Financial Statements

March 31, 2021

4. Loans receivable (continued)

The following is a summary of the carrying amounts in arrears recorded as allowance for doubtful receivables:

Days in arrears	Regular Non-repayable	Regular Repayable	Disabled Repayable	2021 Total
30 days	\$ 134,503	\$ -	\$ -	\$ 134,503
60 days	-	-	-	-
90 days	-	-	-	-
Over 90 days	164,341	61,530	49,998	275,869
No activities	-	100,319	-	100,319
	<u>\$ 298,844</u>	<u>\$ 161,849</u>	<u>\$ 49,998</u>	<u>\$ 510,691</u>

The following is a summary of impaired loans receivable determined by management to be written off:

Days in arrears	Regular Non-repayable	Regular Repayable	Disabled Repayable	2021 Total
Over 90 days	\$ 223,548	\$ 374,446	\$ -	\$ 597,994
No activities	191,781	102,756	-	294,537
	<u>\$ 415,329</u>	<u>\$ 477,202</u>	<u>\$ -</u>	<u>\$ 892,531</u>

Current and prior year bad debts consist of the following:

	2021	2020
Reversal of prior year valuation provision	\$ (1,360,503)	\$ (1,615,248)
Current year bad debts	864,835	718,760
Current year valuation provision	520,933	1,360,503
Bad debt expense	<u>\$ 25,265</u>	<u>\$ 464,015</u>

Community Futures Grande Prairie & Region Notes to the Financial Statements

March 31, 2021

5. Long-term Investments

Long-term investments are comprised of the following:

	2021	2020
Liquid Chicks Inc.		
Cost	\$ -	\$ 298,400
Less valuation provision (Note 6)	-	(150,000)
Share of deficit	-	(31,020)
Elevated Robotic Services Ltd.		
Cost	120,000	120,000
Share of deficit	(56,536)	(56,536)
Less valuation provision (Note 6)	(63,464)	(63,464)
Blackout Rental Services Ltd.		
Cost	40	40
Loan, unsecured, non-interest bearing, with no specific terms of repayment	149,960	149,960
Loan, secured by a general security agreement, non-interest bearing, with no specific terms of repayment	154,710	154,710
Loan, secured by a general security agreement, non-interest bearing, with no specific terms of repayment	20,096	20,096
Less valuation provision (Note 6)	(324,806)	(324,806)
	\$ -	\$ 117,380

In the 2014 fiscal year, the Organization purchased 100% of the Class B shares representing a 40% voting interest in Liquid Chicks Inc. for \$150,000. Once the shares were issued, a corporate resolution was passed by Liquid Chicks Inc. to reduce the stated capital of the 40 Class B voting shares to \$1 per share (\$40). In the 2015 fiscal year, the investment in Liquid Chicks Inc. was written down to its expected net realizable value. In the 2019 fiscal year, the Organization purchased 100% of the Class A shares, representing a 60% voting interest in Liquid Chicks Inc., for \$148,400. The 2019 fiscal year acquisition resulted in 100% voting interest and control of Liquid Chicks Inc. In the current year, 2019 and 2020 financial information was obtained and Liquid Chicks Inc. had accrued operating losses. The Organization's share of these losses have reduced the value of the investment. In the current year, \$8,511 of losses related to this investment have been recorded in the statement of operations. Liquid Chicks Inc. also declared a dividend as at December 31, 2020 which further reduced the value of the investment by \$208,214. These dividends were not received prior to March 31, 2021. Effective March 31, 2021, Liquid Chicks Inc. dissolved, resulting in a recovery of \$90,834 which has been recorded in the statement of operations, net of the losses.

In the 2015 fiscal year, the Organization purchased 54 of the 154 Class A shares representing a 35% voting interest in Elevated Robotic Services Ltd. for \$120,000. This investment is subject to significant influence. Since that time, the investment by the Organization, Elevated Robotic Services Ltd. has had recurring operating losses. The Organization's share of these losses have reduced the value of the investment. In the 2020 fiscal year, a valuation provision of \$63,465 was recorded to reduce the value of the investment to its estimated net realizable value of \$nil.

In the 2015 fiscal year, the Organization purchased 40% of the Class A shares representing a 40% voting interest in Blackout Rental Services Ltd. for \$40. This investment is subject to significant influence. In the 2016 and 2017 fiscal year, the investment in Blackout Rental Services Ltd. was written down to its estimated net realizable value of \$nil.

Community Futures Grande Prairie & Region Notes to the Financial Statements

March 31, 2021

6. Valuation Provisions

The Organization makes loans to and investments in small businesses, including start-up companies and other companies subject to high credit risk. Management periodically reviews the status of these loans and investments, including identifying payments in arrears, available security, financial results of the company, current economic trends and other relevant available information, when making a judgment to evaluate the adequacy of the valuation provision for loan and investment losses.

Depending on circumstances, actual results could vary significantly from these estimates.

7. Capital Assets

	2021		2020	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and fixtures	\$ 30,912	\$ 26,756	\$ 30,912	\$ 25,717
Computer equipment	11,063	10,894	11,063	10,821
Computer software	7,790	7,790	7,790	7,790
Leasehold improvements	39,998	33,145	39,998	25,146
	<u>\$ 89,763</u>	<u>\$ 78,585</u>	<u>\$ 89,763</u>	<u>\$ 69,474</u>
Net book value		<u>\$ 11,178</u>		<u>\$ 20,289</u>

8. Revolving Loan

	2021	2020
Loan payable to Community Futures Network of Alberta ("CFNA")	<u>\$ 4,200,000</u>	<u>\$ 4,200,000</u>

The loan has a stated interest rate of the RBC prime rate and is secured by a promissory note and a general security agreement covering all assets of the Organization. The maximum loan amount available is \$4,200,000. The loan is payable on demand and matures in November 2023. Interest payments are made monthly, with the entire principal amount being paid in November of 2023.

Community Futures Grande Prairie & Region Notes to the Financial Statements

March 31, 2021

9. Financial Instrument Risks

(a) Liquidity Risk

Liquidity risk is the risk that the Organization encounter difficulty in meeting its obligations to creditors. The Organization is subject to this risk in that when the revolving loan becomes due in 2023, it will need to repay this balance or obtain alternate financing. The majority of the Organization's assets are invested in loans and equity investments which are not easily liquidated should the need arise.

(b) Interest Rate Risk

The Organization is subject to interest rate risk on its loans receivable (Note 4) and revolving loan (Note 8). Were interest rates to increase significantly, the Organization would not experience a higher rate of return on the loans receivable in the short-term as they are at fixed interest rates. However, the cash flows associated with servicing the revolving loan would increase. This would contribute to the risk that the Organization would encounter difficulty meetings its obligations as they became due.

(c) Economic Dependence

The Organization is economically dependent on CFNA to not demand repayment of the loan.

10. Deferred Revenue

Deferred revenue is comprised of the following:

	2021	2020
Grant	\$ 50,000	\$ 66,762
Alberta Innovates	215,629	208,513
	\$ 265,629	\$ 275,275

Deferred revenue received from Alberta Innovates is conditional on the amounts being used for eligible expenses. Any amounts not used for eligible expenses are required to be repaid to Alberta Innovates.

11. Investment Funds Payable

The regular repayable and disabled repayable net assets include the following restricted funds:

- (a) The Government of Canada, Western Economic Diversification, has made past contributions totaling \$200,000 to the Disabled Repayable Investment Fund.
- (b) The Government of Canada, Western Economic Diversification, has made past contributions totaling \$700,000 to the Regular Repayable Investment Fund.

Under the agreement with the Government of Canada, these two investment funds are conditionally repayable in the event that any of the following conditions occur:

- (1) the funds are not administered according to the terms and conditions specified in the agreement;
- (2) the funds are 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;
- (3) in the opinion of the Minister, the funds are no longer necessary or relevant to the development of the Western Canadian economy;
- (4) the agreement is terminated per the termination specifications in the agreement;
- (5) an event of default occurs as described in the agreement; or
- (6) the Minister does not approve terms and conditions to extend the project beyond March 31, 2021.

Community Futures Grande Prairie & Region Notes to the Financial Statements

March 31, 2021

11. Investment Funds Payable (continued)

Upon notice by the Minister, the Organization agrees to immediately:

- (1) repay the lessor of:
 - i) the uncommitted cash balance of the Conditionally Repayable Investment Fund; or
 - ii) the total amount paid by Western Economic Diversification to the Organization for the establishment and maintenance of the Conditionally Repayable Investment Fund;
- (2) take steps to assign all of its interest in all debts owing to it, to the Minister; and
- (3) liquidate all debts owing to it via sale to a third party satisfactory to the Minister and to remit the proceeds of liquidation to the Minister.

The amount repaid under 1 through 3 above are limited to the total amounts paid by Western Economic Diversification to the Organization for the establishment and maintenance of the Conditionally Repayable Investment Fund.

It is management's position that none of the conditions noted above existed at March 31, 2021.

12. Due to Community Futures Network of Alberta

As disclosed in Note 4, the Organization received \$6,127,318 to provide RRRF loans. Of this, \$5,873,818 was used for the actual loans and \$253,500 was used to fund operating expenses related to providing the RRRF loans. To the extent that this amount has not been used to fund loans at the end of the application period (currently June 2021), any unused funds are to be returned to CFNA. At March 31, 2021, the unused balance on hand was \$nil.

As of March 31, 2021, \$4,434,900 has been used to fund RRRF loans. The balance due to CFNA is non-interest bearing with no payments due until after December 31, 2022. Any loan payments received to that date will be remitted in a lump sum payment to CFNA. After that time, the remaining loan continues to be non-interest bearing and will be repayable in monthly instalments over a three year period ending December 31, 2025. The balance to be repaid will be reduced to the extent that the loans receivable are forgiven (Note 4) and by any loans that are not collectible and costs associated with attempts to collect loans in arrears.

The balance has been recorded net of the forgivable portion of the loans receivable expected to reduce this balance owing:

Funding spent on RRRF loans	\$ 4,434,900
Forgivable portion of loans receivable	(1,323,725)
Payments received	<u>(14,953)</u>
Loans receivable, net	<u>\$ 3,096,222</u>

Community Futures Grande Prairie & Region Notes to the Financial Statements

March 31, 2021

13. Funding

The Organization has been formally re-selected as a Community Futures Project by the Department of Western Economic Diversification. The Organization has contracts in place for funding until March 31, 2026. Contracts for renewal are approved annually upon review of operations.

In the event that the Organization's contract is not renewed at a future date, the Organization may cease operations and its loan portfolio will be transferred to another agency.

There were six instances during the 2021 year where individual SME's (Small and Medium-Sized Enterprises) had amounts greater than \$150,000 outstanding. These instances resulted in the Organization being non-compliant with the contract at March 31, 2021.

The Organization received 29% of its operating grant revenue from the federal department of Western Economic Diversification and the remainder by way of outside contracts. If Western Economic Diversification were to significantly alter their funding arrangement with the Organization, it would have a material impact on the Organization's ongoing operations.

14. Related Party Transactions

The Organization entered into the following transactions with related parties:

	2021	2020
Revenue		
City of Grande Prairie	\$ 65,000	\$ 75,980
County of Grande Prairie No.1	15,000	56,374
Municipal District of Greenview	-	58,575
	<u>\$ 80,000</u>	<u>\$ 190,929</u>
Expenses		
Alliance Disposal 2010 Ltd.	\$ 541	\$ 154
County of Grande Prairie No. 1	2,500	-
Fusion Business Solutions	16,496	-
Nine 10 Incorporated.	95,194	2,500
Holly Sorgen	3,974	4,222
	<u>\$ 118,705</u>	<u>\$ 6,876</u>

The above related parties are all represented by members at the Board. These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount which is the amount established and agreed to by the related parties.

15. Commitments

The Organization has entered into a five year lease for its current premises and, subsequent to year end, entered into a five year lease for a new premises. The estimated amounts that the Organization has committed to paying are as follows:

2022	\$ 169,949
2023	53,940
2024	55,289
2025	56,637
2026	57,986
Subsequent years	<u>29,667</u>
	<u>\$ 423,468</u>

Community Futures Grande Prairie & Region Notes to the Financial Statements

March 31, 2021

16. Subsequent Events

Subsequent to year end, the Organization requested and received an additional \$500,000 for RRRF loans and \$200,000 for RRRF expansion loans, under the same agreement as described in Note 12.

17. Impacts of COVID-19

The impact of COVID-19 in Canada and on the global economy has been significant. The effect on the Organization during fiscal 2021 has been to provide their borrowers the option of postponing up to two months of regular payments on their loans, with no interest or penalty being accrued. As a result, the term of any loans where this option was used were extended by two months. The Organization has continued to work with their borrowers to amend payment terms on a case-by-case basis depending on the impact of COVID-19 on the borrower. At March 31, 2021, the impact of these deferrals was assessed as being immaterial to the carrying value of the related loans.

As the recoverability of the Organization's loans receivable is ultimately dependent on the ability of its borrowers to generate cash flow from operations to make their required interest and principal payments, the continued impact of COVID-19 may have a material impact on loan losses in future periods. At this time, the potential impact of COVID-19 on the Organization is not known.

Community Futures Grande Prairie & Region
Schedule of General and Administrative Expenses - Operating Fund

For the year ended March 31	2021	2020
Amortization	\$ 9,111	\$ 9,402
Advertising	4,377	675
Bank charges	2,615	2,923
Books and publications	-	48
Community Economic Development and special projects:		
- Business Incubator Program	575	599
- Growing the North Conference	62	-
- Shell Live Wire	12,056	-
- Seminars	5,440	1,164
- Advisory Services Voucher Program	27,574	-
- Taste of the Peace	1,000	-
- Grande Prairie Regional Innovation Network Project	290,041	312,926
- Digital Marketing Training Series	74,448	-
- Other projects and services	-	13,922
Consulting fees	1,345	-
Credit investigation	1,636	2,054
Equipment rental	6,410	5,978
Insurance	2,876	4,773
Lemonade Day	500	1,249
Office	19,937	16,278
Postage and freight	437	1,265
Professional fees	43,757	40,078
Rent	151,166	162,381
Repairs and maintenance	171	725
Telephone	6,327	10,360
Travel and conferences:		
- Board travel	1,520	5,555
- staff travel	2,758	15,636
- conference and training	1,529	4,782
Wages and benefits	182,200	301,252
	<u>\$ 849,868</u>	<u>\$ 914,025</u>