

**Community Futures  
Grande Prairie & Region  
Financial Statements**  
For the year ended March 31, 2020

# **Community Futures Grande Prairie & Region**

## **Financial Statements**

For the year ended March 31, 2020

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## Independent Auditor's Report

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### 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, 2020, 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, 2020, 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

As disclosed in Note 7 to the financial statements, due to a lack of current financial information available in regards to Liquid Chicks Inc., management was unable to determine the related share of investment income or loss for the years ended March 31, 2020 and March 31, 2019 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 or March 31, 2019. Consequently, we were unable to determine whether any adjustments for investment income or impairment was required to Liquid Chicks Inc. investment balance at March 31, 2020 and March 31, 2019 and the excess (deficiency) of revenue over expenses for the years ended March 31, 2020 and March 31, 2019. Due to the lack of current financial information available in regards to Liquid Chicks Inc., the financial statements also do not include the required disclosures related to the investment.

Our audit opinion on the financial statements for the year ended March 31, 2019 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.

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.




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## Independent Auditor's Report (continued)

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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 9, 2020

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

March 31	2020		2019	
	Operating Fund	Investment Fund	Total	Total
<b>Assets</b>				
<b>Current</b>				
Cash (Note 2)	\$ 292,077	\$ 525,469	\$ 817,546	\$ 800,743
Loan security deposits (Note 3)	-	-	-	50,000
Accounts receivable	16,264	-	16,264	19,083
Accrued interest receivable (Note 4)	-	103,639	103,639	44,021
Other receivables	-	2,128	2,128	2,647
Interfund receivable	-	11,370	11,370	11,160
	308,341	642,606	950,947	927,654
Loans receivable (Note 5)	-	5,174,689	5,174,689	5,680,278
Long-term investments (Note 6)	-	117,380	117,380	211,864
Capital assets (Note 8)	20,289	-	20,289	29,691
	\$ 328,630	\$ 5,934,675	\$ 6,263,305	\$ 6,849,487

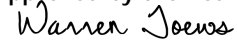
### Liabilities

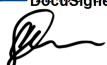
<b>Current</b>				
Revolving loan (Note 9)	\$ -	\$ 4,200,000	\$ 4,200,000	\$ 4,400,000
Accounts payable and accrued liabilities	57,936	-	57,936	37,429
Interfund payable	11,370	-	11,370	11,160
Deferred revenue (Note 11)	275,275	-	275,275	275,808
Lease incentive	21,354	-	21,354	33,002
	365,935	4,200,000	4,565,935	4,757,399

### Net Assets

Fund balances	(37,305)	1,734,675	1,697,370	2,092,088
	\$ 328,630	\$ 5,934,675	\$ 6,263,305	\$ 6,849,487

Approved by the Board:

  
Warren Jones Director

  
Director

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, 2020**

	Operating Fund		Investment Fund		Total
	Capital	Unrestricted	Fund		
<b>Balance, beginning of year</b>	\$ 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 (Note 13)	-	50,000	(50,000)		-
<b>Balance, end of year</b>	\$ 20,289	\$ (57,594)	\$ 1,734,675	\$	1,697,370

**For the year ended March 31, 2019**

	Operating Fund		Investment Fund		Total
	Capital	Unrestricted	Fund		
<b>Balance, beginning of year</b>	\$ 39,594	\$ (142,843)	\$ 2,618,670	\$	2,515,421
Deficiency of revenue over expenses for the year	-	(14,894)	(408,439)		(423,333)
Loss on disposal of capital assets	(132)	132	-		-
Amortization	(9,771)	9,771	-		-
Transfers (Note 13)	-	81,955	(81,955)		-
<b>Balance, end of year</b>	\$ 29,691	\$ (65,879)	\$ 2,128,276	\$	2,092,088

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	2020	2019
<b>Assets</b>		
<b>Current</b>		
Cash (Note 2)	\$ 292,077	\$ 271,437
Accounts receivable	16,264	19,083
	<u>308,341</u>	290,520
<b>Capital assets (Note 8)</b>	<u>20,289</u>	29,691
	<u>\$ 328,630</u>	<u>\$ 320,211</u>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 57,936	\$ 36,429
Interfund payable	11,370	11,160
Deferred revenue (Note 11)	275,275	275,808
Lease incentive	21,354	33,002
	<u>365,935</u>	356,399
<b>Net Assets</b>		
<b>Fund balances</b>		
Unrestricted	(57,594)	(65,879)
Capital	<u>20,289</u>	29,691
	<u>(37,305)</u>	(36,188)
	<u>\$ 328,630</u>	<u>\$ 320,211</u>

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	2020	2019
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### Unrestricted Fund Balance

Balance, beginning of year	\$ (65,879)	\$ (142,843)
Deficiency of revenue over expenses for the year	(51,117)	(14,894)
Transfer from Investment Fund (Note 13)	50,000	81,955
Transfer of net operating funds invested in capital assets	9,402	9,903
	(57,594)	(65,879)
Balance, end of year	\$ (57,594)	\$ (65,879)

### Capital Fund Balance

Balance, beginning of year	\$ 29,691	\$ 39,594
Amortization	(9,402)	(9,771)
Loss on disposal of capital assets	-	(132)
	20,289	29,691
Balance, end of year	\$ 20,289	\$ 29,691

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				2020	2019
	Regular Non-repayable	Regular Repayable	Disabled Repayable	Total	Total
<b>Assets</b>					
<b>Current</b>					
Cash	\$ 1,848,775	\$ (1,357,080)	\$ 33,774	\$ 525,469	\$ 529,306
Loan security deposits	-	-	-	-	50,000
Accrued interest receivable (Note 4)	94,194	8,459	986	103,639	44,021
Other receivables	2,128	-	-	2,128	2,647
Due from Operating Fund	11,370	-	-	11,370	11,160
Interfund receivable (payable)	1,539,335	(1,380,931)	(158,404)	-	-
	3,495,802	(2,729,552)	(123,644)	642,606	637,134
<b>Loans receivable (Note 5)</b>	3,433,242	1,535,617	205,830	5,174,689	5,680,278
<b>Long-term investments (Note 6)</b>	117,380	-	-	117,380	211,864
	\$ 7,046,424	\$ (1,193,935)	\$ 82,186	\$ 5,934,675	\$ 6,529,276
<b>Liabilities</b>					
<b>Current</b>					
Revolving loan (Note 9)	\$ 4,200,000	\$ -	\$ -	\$ 4,200,000	\$ 4,400,000
Accounts payable and accrued liabilities	-	-	-	-	1,000
	4,200,000	-	-	4,200,000	4,401,000
<b>Net Assets</b>					
<b>Fund balances</b>					
Investment Fund	2,846,424	(1,193,935)	82,186	1,734,675	2,128,276
	\$ 7,046,424	\$ (1,193,935)	\$ 82,186	\$ 5,934,675	\$ 6,529,276

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				2020	2019
	Regular Non-repayable	Regular Repayable	Disabled Repayable	Total	Total
<b>Balance, beginning of year</b>	\$ 2,893,656	\$ (895,041)	\$ 129,661	\$ 2,128,276	\$ 2,618,670
Excess (deficiency) of revenue over expenses for the year	2,768	(298,894)	(47,475)	(343,601)	(408,439)
Transfer to Operating Fund (Note 13)	(50,000)	-	-	(50,000)	(81,955)
<b>Balance, end of year</b>	<b>\$ 2,846,424</b>	<b>\$ (1,193,935)</b>	<b>\$ 82,186</b>	<b>\$ 1,734,675</b>	<b>\$ 2,128,276</b>

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	2020	2019
<b>Revenue</b>		
Business Coaching	\$ 6,100	\$ 3,300
Business Incubator Program	54,740	255,065
Business Visitation Program	-	20,000
Contributions from Federal Government	308,493	308,493
Growing the North Conference	11,250	11,250
Northern Alberta Youth Entrepreneurship Camp	-	39,263
Other projects and services	41,499	68,336
Rent	84,515	69,980
RIN	43,385	-
Grande Prairie Regional Innovation Network Project	312,926	-
	<b>862,908</b>	<b>775,687</b>
<b>Expenses</b>		
General and administrative (Schedule)	\$ 914,025	\$ 790,581
<b>Deficiency of revenue over expenses for the year</b>	<b>\$ (51,117)</b>	<b>\$ (14,894)</b>

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				2020	2019
	Regular Non-repayable	Regular Repayable	Disabled Repayable	Total	Total
<b>Revenue</b>					
Interest and fees	\$ 271,949	\$ 108,294	\$ 7,043	\$ 387,286	\$ 398,236
Investment income and bank interest	2,598	2,598	2,598	7,794	8,067
	<u>274,547</u>	<u>110,892</u>	<u>9,641</u>	<u>395,080</u>	<u>\$ 406,303</u>
<b>Expenses</b>					
Bad debts (Note 5)	111,345	352,670	-	464,015	586,494
Bank charges and other	1,074	1,074	1,074	3,222	3,843
Collection	8,833	-	-	8,833	1,246
Revolving loan interest	56,042	56,042	56,042	168,126	164,277
	<u>177,294</u>	<u>409,786</u>	<u>57,116</u>	<u>644,196</u>	<u>755,860</u>
<b>Excess (deficiency) of revenue over expenses before the undernoted</b>	97,253	(298,894)	(47,475)	(249,116)	(349,557)
<b>Loss from equity investment (Notes 6 and 7)</b>	<u>(94,485)</u>	<u>-</u>	<u>-</u>	<u>(94,485)</u>	<u>(58,882)</u>
<b>Excess (deficiency) of revenue over expenses for the year</b>	<u>\$ 2,768</u>	<u>\$ (298,894)</u>	<u>\$ (47,475)</u>	<u>\$ (343,601)</u>	<u>\$ (408,439)</u>

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	Loan Investment Fund			2020 Total	2019 Total
		Non-repayable	Repayable	Disabled		
Operating activities						
Cash received from government contracts	\$ 756,636	\$ -	\$ -	\$ -	\$ 756,636	\$ 647,533
Cash received from other revenue	108,558	-	-	-	108,558	111,975
Loans advanced (repayments), net	-	517,165	(483,383)	7,792	41,574	(366,846)
Cash paid to suppliers for goods and services	(894,764)	(10,908)	(1,074)	(1,074)	(907,820)	(461,263)
Interest received	-	243,680	133,217	9,084	385,981	351,233
Interest paid	-	(56,042)	(56,042)	(56,042)	(168,126)	(172,086)
	(29,570)	693,895	(407,282)	(40,240)	216,803	110,546
Financing activity						
Transfer from (to) other funds	50,210	(358,512)	253,114	55,188	-	-
Repayment of revolving loan	-	(200,000)	-	-	(200,000)	-
Investing activities						
Equity investments	-	-	-	-	-	152,000
	-	-	-	-	-	152,000
Net change in cash	20,640	135,383	(154,168)	14,948	16,803	262,546
Cash, beginning of year	271,437	1,713,392	(1,202,912)	18,826	800,743	538,197
Cash, end of year	\$ 292,077	\$ 1,848,775	\$ (1,357,080)	\$ 33,774	\$ 817,546	\$ 800,743

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, 2020**

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### **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. The Organization is exempt from income taxes under Section 149 of the Income Tax Act.

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### **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 12.

#### **(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 7). 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. 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, 2020

#### 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 loan 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 12.

##### (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.

##### (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.

## Community Futures Grande Prairie & Region

### Notes to the Financial Statements

March 31, 2020

#### 1. Summary of Significant Accounting Policies (continued)

##### (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 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.

#### 2. Cash

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

	2020	2019
Cash restricted for use in specific programs	\$ 234,298	\$ 250,100
Unrestricted cash	57,779	21,337
Net cash position	<u>\$ 292,077</u>	<u>\$ 271,437</u>

#### 3. Loan Security Deposits

The loan security deposits are related to customers who needed to obtain a loan from another lending institution. The purpose of these loan guarantees is to provide confidence to the external lender that, in the event that the customer defaults on the loan, the Organization will repay the loan. The security deposits are separated into current and long-term portions based on the expiration dates of the underlying guarantees.

As of March 31, 2020, there were no such deposits outstanding.

## Community Futures Grande Prairie & Region

### Notes to the Financial Statements

March 31, 2020

#### 4. 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	2020 Total	2019 Total
Accrued interest	\$ 146,339	\$ 78,654	\$ 986	\$ 225,979	\$ 239,684
Accrued interest on loans included in valuation provision (Notes 5 and 7)	(52,145)	(70,195)	-	(122,340)	(195,663)
	<u>\$ 94,194</u>	<u>\$ 8,459</u>	<u>\$ 986</u>	<u>\$ 103,639</u>	<u>\$ 44,021</u>

#### 5. 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 2020 to March 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	2020 Total	2019 Total
Loan portfolio	\$ 4,128,599	\$ 2,078,425	\$ 205,830	\$ 6,412,854	\$ 7,099,866
Valuation provision	(695,357)	(542,808)	-	(1,238,165)	(1,419,588)
	<u>\$ 3,433,242</u>	<u>\$ 1,535,617</u>	<u>\$ 205,830</u>	<u>\$ 5,174,689</u>	<u>\$ 5,680,278</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.

## Community Futures Grande Prairie & Region

### Notes to the Financial Statements

**March 31, 2020**

#### 5. Loan 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	2020 Total
30 days	\$ 267,386	\$ 67,787	\$ -	\$ 335,173
60 days	35,332	-	-	35,332
90 days	86,542	12,056	-	98,598
Over 90 days	306,097	409,415	-	715,512
No activities	-	53,550	-	53,550
	<b>\$ 695,357</b>	<b>\$ 542,808</b>	<b>\$ -</b>	<b>\$ 1,238,165</b>

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	2020 Total
Over 90 days	\$ 149,330	\$ -	\$ -	\$ 149,330
No activities	628,013	19,153	-	647,166
	<b>\$ 777,343</b>	<b>\$ 19,153</b>	<b>\$ -</b>	<b>\$ 796,496</b>

Current and prior year bad debts consist of the following:

	2020	2019
Reversal of prior year valuation provision	\$ (1,615,248)	\$ (1,493,149)
Current year bad debts	718,760	464,395
Current year valuation provision	1,360,503	1,615,248
Bad debt expense	<b>\$ 464,015</b>	<b>\$ 586,494</b>

## Community Futures Grande Prairie & Region

### Notes to the Financial Statements

March 31, 2020

#### 6. Long-term Investments

Long-term investments are comprised of the following:

	2020	2019
Liquid Chicks Inc.		
Cost	\$ 298,400	\$ 298,400
Less valuation provision (Note 7)	(150,000)	(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 7)	(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 7)	(324,806)	(324,806)
	<b>\$ 117,380</b>	<b>\$ 211,864</b>

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. The Organization has been unable to obtain up-to-date financial information regarding this investment in the 2020 fiscal year (Note 7). In the 2020 fiscal year, 2018 fiscal year financial information was obtained and the company had accrued operating losses. The Organization's share of this loss has reduced the value of the investment. In the current year, \$31,020 of losses related to this investment have been recorded in the statement of operations.

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 this loss has reduced the value of the investment. In the 2019 fiscal year, \$58,882 of losses related to this investment have been recorded in the statement of operations. In the current year, a valuation provision of \$63,465 was recorded to reduce the value of the investment to its estimated net realizable value of \$nil. This valuation provision has been included in loss from equity investment in the statement of operations.

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, 2020

#### 7. 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.

Due to a lack of financial information, management was unable to determine its share of investment income or loss for the year ended March 31, 2020, as calculated by the equity method, for its investment in Liquid Chicks Inc. In addition, management was unable to assess whether there were any indicators of impairment related to this investment and, accordingly, whether impairment losses should be recorded at March 31, 2020.

#### 8. Capital Assets

	2020		2019	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and fixtures	\$ 30,912	\$ 25,717	\$ 30,912	\$ 24,418
Computer equipment	11,063	10,821	11,063	10,718
Computer software	7,790	7,790	7,790	7,790
Leasehold improvements	39,998	25,146	39,998	17,146
	<b>\$ 89,763</b>	<b>\$ 69,474</b>	<b>\$ 89,763</b>	<b>\$ 60,072</b>
Net book value		<b>\$ 20,289</b>		<b>\$ 29,691</b>

#### 9. Revolving Loan

	2020	2019
Loan payable to Community Futures Network of Alberta ("CFNA")	<b>\$ 4,200,000</b>	<b>\$ 4,400,000</b>

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. During the year, the Organization repaid \$200,000 and 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, 2020

#### 10. 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 5) and revolving loan (Note 9). 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.

#### 11. Deferred Revenue

Deferred revenue is comprised of the following:

	2020	2019
Grant	\$ 66,762	\$ 25,708
Alberta Innovates	208,513	250,100
	<b>\$ 275,275</b>	<b>\$ 275,808</b>

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.

#### 12. 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, 2020.

## Community Futures Grande Prairie & Region

### Notes to the Financial Statements

March 31, 2020

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#### 12. 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, 2020.

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#### 13. Interfund Transfers

Transfers were \$50,000 (2019 - \$81,955) from the Regular Non-repayable Investment Fund to the Operating Fund to be used to cover operating expenses. The Organization submitted a request to move these funds to Western Economic Diversification and approval was received during the year.

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#### 14. 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, 2021. 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 five instances during the 2020 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, 2020.

In addition, the Organization's 100% investment in Liquid Chicks Inc. is not in compliance with the contract at March 31, 2019 and 2020. The Department of Western Economic Diversification accepted the Organization's one-time request to extend the deadline to dissolve Liquid Chicks Inc. to March 31, 2021.

The Organization received 41% 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.

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## Community Futures Grande Prairie & Region

### Notes to the Financial Statements

March 31, 2020

#### 15. Related Party Transactions

The Organization entered into the following transactions with related parties:

	2020	2019
<b>Revenue</b>		
City of Grande Prairie	\$ 75,980	\$ 57,279
County of Grande Prairie No.1	56,374	500
Municipal District of Greenview	58,575	-
	<b>\$ 190,929</b>	<b>\$ 57,779</b>
<b>Expenses</b>		
Holly Sorgen	4,222	6,359
City of Grande Prairie	-	893
Alliance Disposal 2010 Ltd.	154	246
Nine 10 Incorporated.	2,500	-
	<b>\$ 6,876</b>	<b>\$ 7,498</b>

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.

#### 16. Commitments

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

2021	\$ 170,615
2022	170,615
	<b>\$ 341,230</b>

#### 17. Comparative Figures

Certain comparative figures have been reclassified in order to conform with the current year financial presentation.

#### 18. Impacts of COVID-19

On March 11, 2020, the World Health Organization declared the global outbreak of COVID-19 as a pandemic. The impact of COVID-19 on the Alberta and global economy has been significant.

As a result of the pandemic, the Organization initially provided 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. Subsequent to year end, 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, 2020, 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 during the year ended March 31, 2021 and 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	2020	2019
Amortization	\$ 9,402	\$ 9,771
Advertising	675	1,098
Bank charges	2,923	2,721
Books and publications	48	47
Community Economic Development and special projects:		
- Business Coaching	-	2,000
- Business Incubator Program	599	817
- Business Visitation Program	-	10,143
- Engineer Mentor in Residence	-	14,283
- Growing the North Conference	-	1,300
- Seminars	1,164	5,210
- Spark Professional Services	-	54,291
- Taste of the Peace	-	5,141
- Grande Prairie Regional Innovation Network Project	312,926	-
- Northern Alberta Youth Entrepreneurship Camp	-	39,336
- Other projects and services	13,922	-
Consulting fees	-	80,536
Credit investigation	2,054	2,121
Equipment rental	5,978	6,245
Insurance	4,773	5,276
Lemonade Day	1,249	-
Loss on disposal of capital assets	-	132
Office	16,278	14,923
Postage and freight	1,265	1,455
Professional fees	40,078	34,458
Rent	162,381	155,763
Repairs and maintenance	725	1,880
Telephone	10,360	10,522
Travel and conferences:		
- board travel	5,555	5,690
- staff travel	15,636	19,823
- conference and training	4,782	4,199
Wages and benefits	301,252	301,400
	<b>\$ 914,025</b>	<b>\$ 790,581</b>