

COMMUNITY FUTURES TAWATINAW REGION

Financial Statements

Year Ended March 31, 2020

Draft for discussion purposes only

COMMUNITY FUTURES TAWATINAW REGION
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Year Ended March 31, 2020

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Draft for discussion purposes only

Shoemaker, Viney & Friesen

CHARTERED PROFESSIONAL ACCOUNTANTS

John S. Shoemaker Professional Corporation

Tina J. Viney Professional Corporation



Timothy J. Friesen Professional Corporation

INDEPENDENT AUDITOR'S REPORT

To the Directors of Community Futures Tawatinaw Region

Opinion

We have audited the financial statements of Community Futures Tawatinaw Region (the Organization), 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 notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to 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.

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Auditor's 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.

The engagement partner on the audit resulting in this independent auditor's report is Tina Viney, CA.

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INDEPENDENT PRACTITIONERS'S REASONABLE ASSURANCE REPORT ON COMPLIANCE

To the board of Community Futures Tawatinaw Region:

We have undertaken a reasonable assurance engagement of Community Futures Tawatinaw Region's compliance during the period April 1, 2019 to March 31, 2020, with the requirements set out in the Contribution Agreement between Western Economic Diversification Canada and Community Futures Tawatinaw Region dated March 20, 2018.

Management's responsibility

Management is responsible for Community Futures Tawatinaw Region's compliance with the specified requirements. Management is also responsible for such internal control as management determines necessary to enable Community Futures Tawatinaw Region's compliance with the specified requirements.

Our responsibility

Our responsibility is to express a reasonable assurance opinion on Community Futures Tawatinaw Region's compliance based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with Canadian Standard on Assurance Engagements 3531, Direct Engagements to Report on Compliance. The standard requires that we plan and perform this engagement to obtain reasonable assurance about whether the entity complied with the specified requirements, in all significant respects.

Reasonable assurance is a high level of assurance but is not a guarantee that an engagement conducted in accordance with this standard will always detect a significant instance of non-compliance with specified requirements when it exists. Instances of non-compliance can arise from fraud or error and are considered significant if, individually or in the aggregate, they could reasonably be expected to influence the decision of users of our report. A reasonable assurance compliance reporting engagement involves performing procedures to obtain evidence about the entity's compliance with the specified requirements. The nature, timing and extent of procedures selected depends on our professional judgment, including an assessment of the risks of significant non-compliance, whether due to fraud or error.

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

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Rules of Professional Conduct of Alberta, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Canadian Standard on Quality Control 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements* and, accordingly, maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Opinion

In our opinion, Community Futures Tawatinaw Region complied with the specified requirements set out in the Contribution Agreement during the period April 1, 2019 to March 31, 2020, in all significant respects.

We do not provide a legal opinion on Community Futures Tawatinaw Region's compliance with the specified requirements.

Restriction on Distribution and Use of Our Report

Our report is intended solely for Community Futures Tawatinaw Region and Western Economic Diversification Canada and should not be distributed to or used by parties other than Community Futures Tawatinaw Region or Western Economic Diversification Canada.

Westlock, Alberta
November 18, 2020

CHARTERED PROFESSIONAL ACCOUNTANTS

COMMUNITY FUTURES TAWATINAW REGION
Statement of Financial Position
March 31, 2020

	2020	2019
ASSETS		
CURRENT		
Cash	\$ 8,712	\$ 22,531
Accounts receivable	4,025	55,976
Inventory (Note 3)	11,915	-
Goods and services tax recoverable	4,012	2,919
Prepaid expenses	16,654	16,449
	<u>45,318</u>	97,875
RESTRICTED CASH (Note 4)	520,818	989,458
RESTRICTED INVESTMENTS (Note 5)	2,264,186	2,274,872
LOANS RECEIVABLE (Note 6)	983,441	553,276
PROPERTY, PLANT AND EQUIPMENT (Note 8)	172,722	184,938
	<u>\$ 3,986,485</u>	<u>\$ 4,100,419</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable	\$ 14,794	\$ 49,532
Accrued vacation and overtime	19,188	14,773
Deferred contributions (Note 9)	30,104	59,021
	<u>64,086</u>	<u>123,326</u>
NET ASSETS		
Unrestricted net assets	(18,768)	(25,451)
Investment in property, plant & equipment	172,722	184,938
Externally restricted net assets (Note 11)	3,768,445	3,817,606
	<u>3,922,399</u>	<u>3,977,093</u>
	<u>\$ 3,986,485</u>	<u>\$ 4,100,419</u>
CONTINGENT LIABILITY (Note 15)		

ON BEHALF OF THE BOARD

_____ Director

_____ Director

COMMUNITY FUTURES TAWATINAW REGION
Statement of Revenues and Expenditures
Year Ended March 31, 2020

	2020	2019 <i>Revised (Note 17)</i>
REVENUES		
Western Economic Diversification	\$ 294,968	\$ 294,963
Loan interest	68,803	39,065
Cost recoveries	42,794	38,064
Subsidies and grants	18,989	-
Workshops	14,515	14,375
Rental revenue	8,705	8,575
Sponsorships	7,125	9,350
Bank and investment interest	6,780	17,175
Loan fees and loan admin fees	5,251	3,685
	<u>467,930</u>	<u>425,252</u>
EXPENSES		
Advertising and promotion	14,234	15,712
Amortization	12,216	12,216
Bad debts	25,565	3,046
Board meetings	1,681	2,323
Bookkeeping	5,714	6,546
Business taxes, licenses and memberships	22,171	8,740
Conference fees	-	3,517
Education and reference fees	1,369	4,162
Insurance	4,765	3,658
Interest and bank charges	5,834	4,587
Office	8,110	17,987
Professional fees	11,871	18,287
Property taxes	5,162	4,588
Rental	771	2,837
Repairs and maintenance	43,685	11,618
Salaries and wages	237,968	230,336
Sub-contracts	51,283	40,023
Supplies	29,912	38,828
Telephone	5,460	8,716
Travel	15,825	16,581
Utilities	8,342	9,206
	<u>511,938</u>	<u>463,514</u>
DEFICIENCY OF REVENUES OVER EXPENSES FROM OPERATIONS	<u>(44,008)</u>	<u>(38,262)</u>
OTHER INCOME (EXPENSES)		
Investment income earned on restricted investments	67,465	69,712
Unrealized loss on restricted investments	(78,151)	(8,912)
	<u>(10,686)</u>	<u>60,800</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	<u>\$ (54,694)</u>	<u>\$ 22,538</u>

COMMUNITY FUTURES TAWATINAW REGION
Statement of Changes in Net Assets
Year Ended March 31, 2020

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	Unrestricted Net Assets	Investment in property, plant & equipment	Externally restricted Net Assets	2020	2019
NET ASSETS - BEGINNING OF YEAR	\$ (25,451)	\$ 184,938	\$ 3,817,606	\$ 3,977,093	\$ 3,954,555
Deficiency of revenues over expenses	(95,779)	-	41,085	(54,694)	22,538
Amortization of property, plant & equipment	12,216	(12,216)	-	-	-
Transfers between funds <i>(Note 12)</i>	90,246	-	(90,246)	-	-
NET ASSETS - END OF YEAR	\$ (18,768)	\$ 172,722	\$ 3,768,445	\$ 3,922,399	\$ 3,977,093

COMMUNITY FUTURES TAWATINAW REGION
Statement of Cash Flows
Year Ended March 31, 2020

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	2020	2019
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ (54,694)	\$ 22,538
Items not affecting cash:		
Amortization of property, plant and equipment	12,216	12,216
Unrealized loss on restricted investments	78,151	8,901
	35,673	43,655
Changes in non-cash working capital:		
Accounts receivable	51,951	(55,976)
Inventory	(11,915)	-
GST recoverable	(1,093)	(1,301)
Prepaid expenses	(205)	(11,988)
Accounts payable	(34,738)	29,480
Accrued vacation and overtime	4,415	(8,211)
Deferred contributions	(28,917)	54,497
	(20,502)	6,501
Cash flow from operating activities	15,171	50,156
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	-	(14,764)
Restricted cash	468,640	162,046
Restricted investments	(67,465)	(69,701)
Loans receivable	(430,165)	(138,941)
	(28,990)	(61,360)
Cash flow used by investing activities	(28,990)	(61,360)
DECREASE IN CASH FLOW	(13,819)	(11,204)
CASH - BEGINNING OF YEAR	22,531	33,735
CASH - END OF YEAR	\$ 8,712	\$ 22,531

COMMUNITY FUTURES TAWATINAW REGION
Notes to Financial Statements
Year Ended March 31, 2020

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1. NATURE OF OPERATIONS

Community Futures Tawatinaw Region (the "Organization") is principally involved in supporting community economic development initiatives by helping those who wish to begin or further develop their business, as well as helping those seeking self employment. The Organization is a non-profit organization and accordingly, no provision for corporate income taxes has been made in these financial statements pursuant to Section 149(i)(l) of the Income Tax Act, Canada.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPOs).

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.

The main item for which a significant estimate was made is the allowance for doubtful loans receivable as outlined in Note 7 of these financial statements. To estimate this amount, management is required to make various assumptions that it considers reasonable, including their analysis of the debtor's ability to repay the loan based on their current operations and security held by Community Futures Tawatinaw Region.

Management must also perform estimates on collectability of accounts receivable, allowance for inventory obsolescence, amortization of property, plant, and equipment, the estimated useful lives of assets, and recoverability of property, plant and equipment.

Cash and cash equivalents

Cash and cash equivalents includes balances with banks, net of outstanding cheques. Restricted cash includes balances with banks and cashable term deposits with a maturity date of one year or less for use in restricted funds.

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COMMUNITY FUTURES TAWATINAW REGION
Notes to Financial Statements
Year Ended March 31, 2020

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments policy

Initial and subsequent measurement

The Organization initially measures its financial assets and liabilities at fair value. Subsequent measurement of all financial assets and liabilities is at cost or amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in the fair value of these financial instruments are recognized in net income in the period incurred.

Financial assets measured at amortized cost on a straight-line basis include cash, accounts receivable, restricted cash, and loans receivable.

Financial assets measured at fair value are restricted investments.

Financial liabilities measured at amortized cost on a straight-line basis include bank indebtedness, accounts payable and accrued vacation and overtime.

Transaction costs

Transaction costs related to financial instruments that will be subsequently measured at fair value are recognized in net income in the period incurred. Transactions costs related to financial instruments subsequently measured at amortized cost are included in the original cost of the assets or liability and recognized in net income over the life of the instrument using the straight-line method.

Impairment

For financial assets measured at cost or amortized cost, the company determines whether there are indications of possible impairment. When there is an indication of impairment, and the Organization determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in net income. A previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may not be greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

Inventory

Inventory is valued at the lower of cost and net realizable value with the cost being determined on an weighted average cost basis.

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COMMUNITY FUTURES TAWATINAW REGION
Notes to Financial Statements
Year Ended March 31, 2020

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Loans receivable

Loans receivable are recorded at amortized cost, using the effective interest method, net of anticipated losses. Loans are extended to each borrower under the Organization's normal credit standards, controls and monitoring features. Most credit arrangements are short-term in nature and terms generally do not exceed five years. Credit terms provide for fixed interest rates at the time of approval of the loan, with blended principal and interest repayments. The Organization evaluates each loan's status yearly for non-performance.

Loans are recognized as being impaired when, in management's opinion, there is a reasonable doubt to the collectability of some or all of the principal or interest. When payment is 90 days past due and no restructuring option exists, any previously accrued interest on the loan is reversed against current year income and the loan is considered impaired. When a loan is classified as impaired, recognition of interest ceases and the impaired loans are reduced to their estimated realizable value, net of collateral expected to be collected and costs of realization. Loan costs to realize the security are charged to the Restricted Net Assets.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated amortization. Property, plant and equipment are amortized at the following rates and methods:

Buildings	35 years	straight-line method
Equipment	3 to 5 years	straight-line method
Computer equipment	3 to 5 years	straight-line method

Property, plant and equipment acquired during the year but not placed into use are not amortized until they are placed into use.

Fund accounting

The General Fund accounts for general operations, innovation programs and capital assets related to the property, plant and equipment of the Organization. The General Fund is significantly funded by the Federal Government - Western Economic Diversification. The purpose of this Fund is to provide administration services.

The Tawatinaw Fund accounts for workshops and consulting programs.

The Investment Fund is an externally restricted fund that accounts for loans provided to businesses in the region. Within the externally restricted fund is the Disability Fund that reports business loans provided to individuals with disabilities, both visible and non visible.

Allowances for credit losses

The Organization maintains an allowance for credit losses on a loan-by-loan basis and provisions based on past experience. An allowance is made when the Organization determines that the loan or any part thereof will likely not be repaid.

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COMMUNITY FUTURES TAWATINAW REGION
Notes to Financial Statements
Year Ended March 31, 2020

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

The Organization follows the deferral method of recognizing revenue for its contributions.

Contributions from Western Economic Diversification are recognized as revenue in the period to which they relate.

Restricted contributions for operations or training programs are recognized as revenue when the good or service is provided.

Restricted contributions for the purchase of property, plant and equipment are deferred and recognized as revenue on the same basis as the amortization expense related to the acquired property and equipment.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be estimated and collection is reasonably assured.

Interest income is recognized as revenue when earned.

Contributed services

The governance of the Organization depends on the contribution of time by board members. The fair value of donated governance services cannot be reasonably determined and are therefore not reflected in these financial statements.

Cash flow statement

The cash flow statement is prepared using the indirect method.

3. INVENTORY

	<u>2020</u>	<u>2019</u>
Promotional materials	\$ 8,365	\$ -
Lemonade day supplies	<u>3,550</u>	<u>-</u>
	<u>\$ 11,915</u>	<u>\$ -</u>

Promotional materials were purchased for advertising at Teacher's Conventions in Alberta in the spring of 2020. Management had over-estimated the amount of materials required. The remaining materials will be utilized in future years.

COMMUNITY FUTURES TAWATINAW REGION
Notes to Financial Statements
Year Ended March 31, 2020

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4. RESTRICTED CASH

Restricted cash consists of cash in two bank accounts that are restricted to providing loans to clients of the Organization.

Per direction from Western Economic Diversification, up to \$50,000 per year of funds from restricted cash can be transferred to the operations bank accounts to fund incremental activity only. Interest transfers are not permitted when the Organization has an operating surplus, and the amount transferred should not exceed the net growth (interest/other revenue minus bad debts/other expenses) of the fund during the previous year.

Additional interest transfers are allowed with Western Economic Diversification approval.

Details of transfers made in 2020 are indicated in note 12 of these statements.

5. RESTRICTED INVESTMENTS

	2020	2019
<p>Community Futures Lending and Investment Pool (CFLIP) is a professionally managed investment pool with fluctuating rates of return. At March 31, 2020, the pool consisted of 3.8% (2019 - 0.4%) cash, 12.2% (2019 - 20.1%) bonds, 6.2% (2019 - 9.6%) preferred shares, 49.1% (2019-35.9%) non-traditional income funds, 5.1% (2019 - 5.9%) Canadian equities, 10.5% (2019 - 9.9%) global equities, and 13% (2019-18.4%) non-traditional capital appreciation assets. CFLIP has a commercial line of credit of up to \$1.2 million to allow the fund manager to reduce the percentage level of cash or equivalents under management. The cost of the investments held by Community Futures Tawatinaw Region in the CFLIP account at March 31, 2020 was \$2,289,522 (2019-\$2,222,058). Reinvested income is added to the pool monthly.</p>	\$ 2,264,186	\$ 2,274,872

6. LOANS RECEIVABLE

	2020	2019
Unpaid loan balance	\$ 1,020,883	\$ 565,753
Allowance for doubtful loans receivable (<i>Note 7</i>)	(37,442)	(12,477)
	983,441	553,276
Amounts receivable within one year	(338,349)	(52,894)
Receivable thereafter	\$ 645,092	\$ 500,382

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COMMUNITY FUTURES TAWATINAW REGION
Notes to Financial Statements
Year Ended March 31, 2020

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6. LOANS RECEIVABLE *(continued)*

The loans bear fixed interest rates ranging from 8% to 9% per annum. Repayment terms of the loans within the portfolio vary depending on the length of the term and individual agreement terms. Revolving loans have a repayment term of 12 months. Term loans can range in repayment terms, the maximum term is 120 months.

Loans have maturity dates ranging from April 2017 to April 2026. All loans require monthly payments. Some loans may require interest only payments for a set period at the beginning of the repayment term or may be negotiated throughout the term of the loan.

At March 31, 2020, there was one loan in excess of \$150,000. This customer has total loans outstanding of \$577,907 at March 31, 2020.

7. ALLOWANCE FOR DOUBTFUL LOANS RECEIVABLE

At year end, the Organization assessed each loan to determine the ultimate collectability. At March 31, 2020, the Organization had reduced its loan portfolio balance by \$37,442, representing specific identifications of provisions for credit losses.

	2020	2019
Allowance for doubtful loans, beginning of year	\$ 12,477	\$ 30,827
Loan amounts added to doubtful loans in the year	26,665	4,379
Recoveries of doubtful loans	(1,100)	(1,333)
Bad debt expense	25,565	3,046
Loans in allowance for doubtful accounts written off in the year	(600)	(21,396)
Allowance for doubtful loans, end of year	\$ 37,442	\$ 12,477

Allowance for doubtful loans at the end of the year consists of three loan balances consisting of two specific loan balances to the same debtor from 2019 plus an additional loan added in 2020. These debtors have not been making regular payments, and Community Futures Tawatinaw Region does not have any indication as to how much they will receive to pay down the amounts owing.

8. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Buildings	\$ 271,103	\$ 101,861	\$ 169,242	\$ 176,795
Equipment	27,596	26,528	1,068	3,626
Computer equipment	38,410	35,998	2,412	4,517
	\$ 337,109	\$ 164,387	\$ 172,722	\$ 184,938

COMMUNITY FUTURES TAWATINAW REGION
Notes to Financial Statements
Year Ended March 31, 2020

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9. DEFERRED CONTRIBUTIONS

	2020	2019
Deferred revenue - Western Economic Diversification	\$ 24,580	\$ 24,580
Deferred revenue - Lemonade Day	4,000	8,500
Deferred revenue - BizKids	1,524	1,524
Deferred revenue - Business Analyst cost recovery	-	22,917
Deferred revenue - Headstart in Business	-	1,500
	\$ 30,104	\$ 59,021

Western Economic Diversification are 2020/2021 (2019/2020) grant funds that were received in the 2020 (2019) fiscal year.

Lemonade Day and Headstart in Business are prepaid administration fees for these programs from other Community Futures Offices.

BizKids monies are unspent contributions from various community organizations for the BizKids program which assists youth with starting their own business.

Business Analyst cost recovery are prepayments made by another Community Futures Office for the Business Analyst to assist them in the 2020 fiscal year.

10. COMMITMENTS

Community Futures Tawatinaw Region is currently in a three year contract with Western Economic Diversification to facilitate operations. Funding is guaranteed until March 31, 2021. Total funding to be received for the period April 1, 2018 to March 31, 2021 will not exceed \$884,889.

COMMUNITY FUTURES TAWATINAW REGION
Notes to Financial Statements
Year Ended March 31, 2020

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11. EXTERNALLY RESTRICTED NET ASSETS

In fiscal year 2001, the Department of Western Economic Diversification amended the terms and conditions of its contribution agreement with the Organization. Under the revised terms and conditions, the conditionally repayable loan funds are repayable if any of the following conditions occur:

- (a) The conditionally repayable loan fund is not administered according to the terms and conditions specified in the funding agreement; or
- (b) Based on reviews and evaluations of the operations and of the conditionally repayable loan funds of the Organization, the conditionally repayable loan fund is not providing a satisfactory level of benefits in terms of employment creation, the development of community-owned or controlled businesses, and strengthening of the western economy; or
- (c) In the opinion of the Minister, the conditionally repayable loan fund is no longer necessary or relevant to the development of the Western Canadian economy; or
- (d) An event of default occurs, as described in Section 17 of the Agreement; or
- (e) The Minister does not approve terms and conditions to extend the project beyond March 31, 2020.

12. TRANSFERS BETWEEN FUNDS

There is no requirement for Western Economic Diversification to approve the transfers of \$50,000 and less as Community Futures offices with three year Contribution Agreements are pre-approved for interest transfers up to \$50,000 per annum. Community Futures Tawatinaw Region has a three year Contribution Agreement in place.

In 2020, Western Economic Diversification approved \$90,246 of interest transfers to fund Youth in Business training and Lemonade Day. Total approved transfers for 2019 for the same programming amounted to \$70,000.

The Organization transferred \$103,660 from investment funds to operating funds (\$122,048 in 2019), which is \$13,414 (2019-\$44,098) in excess of the approved amount. This amount will be transferred back to the investment accounts in the 2021 fiscal year.

COMMUNITY FUTURES TAWATINAW REGION
Notes to Financial Statements
Year Ended March 31, 2020

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13. FINANCIAL INSTRUMENTS

The Organization is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Organization's risk exposure and concentration as of March 31, 2020.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Organization is exposed to credit risk from customers. In order to reduce its credit risk, the Organization reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The Organization has a significant number of customers which minimizes concentration of credit risk.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to this risk mainly in respect of its receipt of funds from its customers and other related sources, long-term debt, and accounts payable.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Organization is exposed to other price risk through its investment in restricted investments.

14. ECONOMIC DEPENDENCE

The Organization receives 85% (2019 - 90%) of its operating revenues from the Federal Government and is economically dependent upon the annual funding received for day to day operations.

15. CONTINGENT LIABILITY

The Organization has access to a line of credit up to \$25,000, and two Visa cards with a combined limit of up to \$21,500 (2019-\$16,500).

COMMUNITY FUTURES TAWATINAW REGION
Notes to Financial Statements
Year Ended March 31, 2020

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16. SUBSEQUENT EVENTS

Western Economic Diversification approved a transfer of up to \$98,483 for the fiscal period 2020/21 from the Non-repayable Investment Fund to the operations fund for the Community Futures Entrepreneurial Training Program and the Youth in Business Program.

As a result of the COVID19 pandemic, Community Futures Alberta implemented the Regional Relief and Recovery Fund with all Community Futures offices in Alberta. Each office was provided with \$1,043,777.80 to utilize in providing loans to those businesses affected by the pandemic that meet the requirements for the fund. As of September 1, 2020, Community Futures Tawatinaw Region had loaned out all of the funds it had been allocated.

As a result of the COVID19 pandemic, Lemonade Day for 2020 has been postponed. The licensing fees paid by Community Futures Tawatinaw Region for 2020 have been allowed to be carried over to 2021.

17. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation. Specifically, unrealized losses and investment income earned on restricted investments has been reported separately in the Statement of Revenues and Expenses, whereas in prior years this amount was included in bank and investment interest revenue.

COMMUNITY FUTURES TAWATINAW REGION
Statement of Financial Position by Fund
As at March 31, 2020

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(Schedule 1)

	General	Tawatinaw	Investment	2020	2019
ASSETS					
CURRENT					
Cash	\$ 19,693	\$ 2,433	\$ -	\$ 22,126	\$ 66,629
Accounts receivable	4,025	-	-	4,025	55,976
Inventory	11,915	-	-	11,915	-
Prepaid expenses	16,654	-	-	16,654	16,449
Due (to) from other funds	(13,414)	-	-	(13,414)	(44,098)
GST receivable	4,012	-	-	4,012	2,919
	42,885	2,433	-	45,318	97,875
RESTRICTED CASH	-	-	520,818	520,818	989,458
INVESTMENTS	-	-	2,264,186	2,264,186	2,274,872
LOANS	-	-	983,441	983,441	553,276
PROPERTY, PLANT & EQUIPMENT	172,722	-	-	172,722	184,938
	\$ 215,607	\$ 2,433	\$ 3,768,445	\$ 3,986,485	\$ 4,100,419
LIABILITIES					
CURRENT					
Accounts payable and accrued liabilities	14,794	-	-	14,794	49,532
Accrued vacation and overtime	19,188	-	-	19,188	14,773
Deferred contributions	30,104	-	-	30,104	59,021
	\$ 64,086	\$ -	\$ -	\$ 64,086	\$ 123,326
FUND BALANCES					
Unrestricted	(21,201)	2,433	-	(18,768)	(25,451)
Investment in fixed assets	172,722	-	-	172,722	184,938
Restricted	-	-	3,768,445	3,768,445	3,817,606
	\$ 151,521	\$ 2,433	\$ 3,768,445	\$ 3,922,399	\$ 3,977,093
	\$ 215,607	\$ 2,433	\$ 3,768,445	\$ 3,986,485	\$ 4,100,419

COMMUNITY FUTURES TAWATINAW REGION
Statement of Operations by Fund
Year ended March 31, 2020

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(Schedule 2)

	General	Tawatinaw	Investment	2020	2019
	<i>(Revised Note 17)</i>				
RECEIPTS					
Western Economic Diversification	\$ 294,968	\$ -	\$ -	\$ 294,968	\$ 294,963
Loan interest revenue	-	-	68,803	68,803	39,065
Bank and investment interest	-	-	74,245	74,245	77,975
Subsidies and grants	18,989	-	-	18,989	-
Workshops	-	14,515	-	14,515	18,875
Cost recovery	22,917	19,877	-	42,794	38,064
Rental revenue	8,705	-	-	8,705	8,575
Sponsorships	-	7,125	-	7,125	4,850
Other income	2,070	-	3,181	5,251	3,685
	347,649	41,517	146,229	535,395	486,052
EXPENDITURES					
Wages and benefits	237,968	-	-	237,968	230,336
Unrealized loss on restricted investments	-	-	78,151	78,151	-
Sub-contracts	-	51,283	-	51,283	40,023
Repairs and maintenance	43,029	656	-	43,685	11,618
Supplies	-	29,912	-	29,912	38,828
Bad debts (recovery)	-	-	25,565	25,565	3,046
Business tax, licenses and memberships	-	22,171	-	22,171	8,740
Travel expense	5,365	10,460	-	15,825	16,581
Advertising	157	14,077	-	14,234	15,712
Amortization	12,216	-	-	12,216	12,216
Professional fees	11,240	-	631	11,871	18,287
Utilities	8,342	-	-	8,342	9,206
Office	8,110	-	-	8,110	17,987
Interest and bank charges	5,037	-	797	5,834	4,587
Bookkeeping	5,714	-	-	5,714	6,546
Telephone	5,460	-	-	5,460	8,716
Property taxes	5,162	-	-	5,162	4,588
Insurance	4,765	-	-	4,765	3,658
Board meetings	1,681	-	-	1,681	2,323
Education and reference fees	1,369	-	-	1,369	4,162
Rental	-	771	-	771	2,837
Conferences fees	-	-	-	-	3,517
	355,615	129,330	105,144	590,089	463,514
Net revenue (deficit)	(7,966)	(87,813)	41,085	(54,694)	22,538
Interfund transfers made in the year	-	103,660	(103,660)	-	-
Interfund transfers receivable	-	(13,414)	13,414	-	-
Net Assets, beginning of year	159,487	-	3,817,606	3,977,093	3,954,555
NET ASSETS, END OF YEAR	\$ 151,521	\$ 2,433	\$ 3,768,445	\$ 3,922,399	\$ 3,977,093

COMMUNITY FUTURES TAWATINAW REGION
INVESTMENT FUND
(Schedule 3)

Unaudited Statement of Operations and Changes in Investment Fund Balances
Year ended March 31, 2020

	Disability	General	2020	2019
				<i>(Revised Note 17)</i>
REVENUE				
Loan interest	\$ -	\$ 68,803	\$ 68,803	\$ 39,065
Investment interest	-	74,245	74,245	86,887
Other income	-	3,181	3,181	2,747
Bad debt recoveries	-	-	-	1,333
	-	146,229	146,229	130,032
EXPENSES				
Unrealized loss on restricted investments	-	78,151	78,151	8,901
Bad debt allowance (recovery)	-	25,565	25,565	4,379
Professional fees	-	631	631	7,589
Bank charges	-	797	797	1,283
	-	105,144	105,144	22,152
EXCESS OF REVENUES OVER EXPENSES	-	41,085	41,085	107,880
FUND BALANCE, BEGINNING OF YEAR	119,087	3,698,519	3,817,606	3,779,911
TRANSFERS TO OPERATING FUND	-	(90,246)	(90,246)	(70,000)
FUND BALANCE, END OF YEAR	\$ 119,087	\$ 3,649,358	\$ 3,768,445	\$ 3,817,791

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COMMUNITY FUTURES TAWATINAW REGION
Unaudited Statement of Cash Flows for Western Economic Diversification Operations
As at March 31, 2020

(Schedule 4)

	Financing and Investment Activities			
	Operating Activities	Disability	General	Total
	General	Disability	General	Total
	2020	2020	2020	2019
Sources of Cash				
WD Contributions	\$ 294,968	-	-	\$ 294,968
Investment income	182	-	6,598	6,780
Subsidies and grants	18,989	-	-	18,989
GST received	2,919	-	-	2,919
Cost recoveries	94,920	-	-	94,920
Rental	8,705	-	-	8,705
Other income	16,955	-	-	16,955
Investment loan repayments (principal plus interest)	-	-	291,782	291,782
	<u>437,638</u>	<u>-</u>	<u>298,380</u>	<u>736,018</u>
				<u>821,820</u>
Uses of Cash				
Salaries and benefits	233,553	-	-	233,553
Materials and services	304,138	-	1,428	305,566
Purchase of capital assets	-	-	-	-
GST paid	4,012	-	-	4,012
Investment loan advances	-	-	675,346	675,346
	<u>541,703</u>	<u>-</u>	<u>676,774</u>	<u>1,218,477</u>
				<u>995,070</u>
Net increase (decrease) in cash	<u>(104,065)</u>	<u>-</u>	<u>(378,394)</u>	<u>(482,459)</u>
Cash, beginning	22,531	117,687	871,771	1,011,989
Interfund transfer	90,246	-	(90,246)	-
Cash, end of year	<u>\$ 8,712</u>	<u>\$ 117,687</u>	<u>\$ 403,131</u>	<u>\$ 529,530</u>
				<u>\$ 1,011,989</u>

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