

**COMMUNITY FUTURES LLOYDMINSTER AND REGION
DEVELOPMENT CORPORATION
FINANCIAL STATEMENTS
FOR THE YEAR ENDING MARCH 31, 2021**

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INDEPENDENT PRACTITIONER'S REASONABLE ASSURANCE REPORT ON COMPLIANCE

To Western Economic Diversification Canada:

We have undertaken a reasonable assurance governance engagement of Community Future Lloydminster and Region Development Corporation's compliance during the period April 1, 2020 to March 31, 2021, with the requirements set out in the Contribution Agreement between Western Economic Diversification Canada and Community Futures Lloydminster and Region Development Corporation (the Corporation) dated March 19, 2018.

Management's Responsibility

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

Our Responsibility

Our responsibility is to express a reasonable assurance opinion on the Corporation'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. This 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 decisions 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 behavior.

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, the Corporation complied with the specified requirements set out in the Contribution Agreement during the period April 1, 2020 to March 31, 2021, in all significant respects.

We do not provide a legal opinion on the Corporation's compliance with the specified requirements.

Restriction on Distribution and Use of Our Report

Our report is intended solely for the Corporation and Western Economic Diversification Canada and should not be distributed to or used by parties other than the Corporation or Western Economic Diversification Canada.

St. Paul, Alberta
July 7, 2021


Chartered Professional Accountants



INDEPENDENT AUDITOR'S REPORT

To the Members of Community Futures Lloydminster
and Region Development Corporation

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Community Futures Lloydminster and Region Development Corporation (the Corporation), which comprise the statement of financial position as at March 31, 2021, and the statements of operations, changes in fund balances, and cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies and other explanatory information, and a schedule of operating expenses.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2021, 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 Corporation 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 misstatements, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements

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

St. Paul, Alberta
July 7, 2021

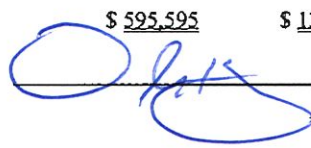


Chartered Professional Accountants

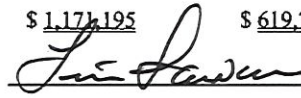
COMMUNITY FUTURES LLOYDMINSTER AND REGION DEVELOPMENT CORPORATION
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2021

	Operating Funds		Loan Investment Funds				<u>2021</u>	<u>2020</u>
	<u>General</u>	<u>RRRF</u>	<u>Non-Repayable</u>	<u>Repayable</u>	<u>Disabled</u>	<u>RRRF</u>		
ASSETS								
Current assets								
Cash in bank	\$ 290,543	\$ --	\$ 201,487	\$ 115,757	\$ 146,129	\$ 59,155	\$ 813,071	\$ 959,877
GST receivable	18,145	--	--	--	--	--	18,145	6,966
Accounts receivable	39,146	--	786	--	--	--	39,932	2,656
WES receivable	218,716	--	--	--	--	--	218,716	102,474
Due from general fund	--	--	--	840	50	--	890	30
Due from investment fund (note 13)	--	--	364,953	12,691	--	--	377,644	6,091
Prepaid expenses	4,486	2,366	--	--	--	--	6,852	5,619
Current portion of investment loans	--	--	<u>246,870</u>	<u>56,024</u>	<u>35,804</u>	--	<u>338,698</u>	<u>105,507</u>
	571,036	2,366	814,096	185,312	181,983	59,155	1,813,948	1,189,220
Long term investments (note 3)	6,228	--	152,434	324,708	--	--	483,370	442,452
Capital assets (note 4)	18,331	11,318	--	--	--	--	29,649	34,265
Loans receivable - SBLA	--	--	--	--	--	--	--	26,640
Investment loans receivable (notes 5 - 7)	--	--	204,665	109,685	183,186	--	497,536	582,879
Loans receivable - RRRF	--	--	--	--	--	<u>3,127,298</u>	<u>3,127,298</u>	--
	<u>\$ 595,595</u>	<u>\$ 13,684</u>	<u>\$ 1,171,195</u>	<u>\$ 619,705</u>	<u>\$ 365,169</u>	<u>\$ 3,186,453</u>	<u>\$ 5,951,801</u>	<u>\$ 2,275,456</u>
LIABILITIES AND FUND BALANCES								
Current liabilities								
Payables and accrued liabilities	\$ 68,921	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 68,921	\$ 53,210
RRRF operating grant payable	11,012	--	--	--	--	--	11,012	--
Government remittances	7,056	--	--	--	--	--	7,056	4,420
Due to general fund	--	--	510	--	--	--	510	6,091
Due to investment funds (note 13)	380	--	1,147	--	376,447	50	378,024	30
Deferred revenue (note 8)	<u>36,936</u>	--	--	--	--	--	<u>36,936</u>	<u>33,066</u>
	124,305	--	1,657	--	376,447	50	502,459	96,817
Loans repayable - SBLA	--	--	--	--	--	--	--	26,639
Loans repayable - RRRF	--	--	--	--	--	<u>3,186,403</u>	<u>3,186,403</u>	--
	<u>124,305</u>	--	<u>1,657</u>	--	<u>376,447</u>	<u>3,186,453</u>	<u>3,688,862</u>	<u>123,456</u>
Fund balances								
Invested in capital assets	18,331	11,318	--	--	--	--	29,649	34,265
Externally restricted (note 9)	--	--	1,169,538	619,705	(11,278)	--	1,777,965	1,690,851
Unrestricted	<u>452,959</u>	<u>2,366</u>	--	--	--	--	<u>455,325</u>	<u>426,884</u>
	471,290	13,684	1,169,538	619,705	(11,278)	--	<u>2,262,939</u>	<u>2,152,000</u>
	<u>\$ 595,595</u>	<u>\$ 13,684</u>	<u>\$ 1,171,195</u>	<u>\$ 619,705</u>	<u>\$ 365,169</u>	<u>\$ 3,186,453</u>	<u>\$ 5,951,801</u>	<u>\$ 2,275,456</u>

Approved on Behalf of The Board:



Chairman



Treasurer

Vice Chair

COMMUNITY FUTURES LLOYDMINSTER AND REGION DEVELOPMENT CORPORATION
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2021

	<u>Operating</u>		<u>Financing and Investing</u>				<u>2021</u>	<u>2020</u>
	Operating Funds		Loan Investment Funds					
	<u>General</u>	<u>RRRF</u>	<u>Non-Repayable</u>	<u>Repayable</u>	<u>Disabled</u>	<u>RRRF</u>		
Revenue								
Federal contracts	\$ 294,963	\$ 122,379	\$ --	\$ --	\$ --	\$ --	\$ 417,342	\$ 294,963
Loan interest	--	--	17,287	5,280	7,797	--	30,364	47,767
Other revenue	25,531	--	--	--	--	--	25,531	5,563
Bank interest	436	--	313	--	--	--	749	15,864
CFLIP investment income	--	--	3,183	7,272	--	--	10,455	17,574
CFLIP unrealized gain (loss)	--	--	9,127	20,850	--	--	29,977	(13,675)
Self-employment contract	--	--	--	--	--	--	--	545
WES project	756,185	--	--	--	--	--	756,185	197,674
WES – in kind contributions	33,615	--	--	--	--	--	33,615	55,086
WES – other	<u>18,273</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>18,273</u>	<u>--</u>
	<u>1,129,003</u>	<u>122,379</u>	<u>29,910</u>	<u>33,402</u>	<u>7,797</u>	<u>--</u>	<u>1,322,491</u>	<u>621,361</u>
Expenses								
Operating expenses (schedule)	331,977	108,695	--	--	--	--	440,672	334,062
Recovery of investment losses	--	--	(2,255)	--	(13,750)	--	(16,005)	63,182
Loss on sale of assets	125	--	--	--	--	--	125	266
WES project	753,145	--	--	--	--	--	753,145	202,912
WES – in kind expenditures	<u>33,615</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>33,615</u>	<u>55,086</u>
	<u>1,118,862</u>	<u>108,695</u>	<u>(2,255)</u>	<u>--</u>	<u>(13,750)</u>	<u>--</u>	<u>1,211,552</u>	<u>655,508</u>
Excess (deficiency) of revenue over expenses	<u>\$ 10,141</u>	<u>\$ 13,684</u>	<u>\$ 32,165</u>	<u>\$ 33,402</u>	<u>\$ 21,547</u>	<u>\$ --</u>	<u>\$ 110,939</u>	<u>\$ (34,147)</u>

COMMUNITY FUTURES LLOYDMINSTER AND REGION DEVELOPMENT CORPORATION
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2021

	<u>Operating</u>		<u>Financing and Investing</u>				<u>2021</u>	<u>2020</u>
	Operating Funds		Loan Investment Funds					
	<u>General</u>	<u>RRRF</u>	<u>Non-Repayable</u>	<u>Repayable</u>	<u>Disabled</u>	<u>RRRF</u>		
Equity in capital assets, beginning of year	\$ 34,265	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 34,265	\$ 46,552
Purchase of capital assets	1,075	13,315	--	--	--	--	14,390	4,808
Amortization	(16,884)	(1,997)	--	--	--	--	(18,881)	(16,829)
Loss on disposal of capital assets	(125)	--	--	--	--	--	(125)	(266)
Proceeds on sale of capital assets	--	--	--	--	--	--	--	--
Equity in capital assets, end of year	<u>18,331</u>	<u>11,318</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>29,649</u>	<u>34,265</u>
Externally restricted funds, beginning of year	--	--	1,137,373	586,303	(32,825)	--	1,690,851	1,698,459
Excess (deficiency) of revenue over expenses	--	--	<u>32,165</u>	<u>33,402</u>	<u>21,547</u>	--	<u>87,114</u>	<u>(7,608)</u>
Externally restricted funds, end of year	<u>--</u>	<u>--</u>	<u>1,169,538</u>	<u>619,705</u>	<u>(11,278)</u>	<u>--</u>	<u>1,777,965</u>	<u>1,690,851</u>
Unrestricted funds, beginning of year	426,884	--	--	--	--	--	426,884	441,136
Excess (deficiency) of revenue over expenses	10,141	13,684	--	--	--	--	23,825	(26,539)
Purchase of capital assets	(1,075)	(13,315)	--	--	--	--	(14,390)	(4,808)
Amortization	16,884	1,997	--	--	--	--	18,881	16,829
Loss on disposal of capital assets	125	--	--	--	--	--	125	266
Proceeds on sale of capital assets	--	--	--	--	--	--	--	--
Unrestricted funds, end of year	<u>452,959</u>	<u>2,366</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>455,325</u>	<u>426,884</u>
	<u>\$ 471,290</u>	<u>\$ 13,684</u>	<u>\$ 1,169,538</u>	<u>\$ 619,705</u>	<u>\$ (11,278)</u>	<u>\$ --</u>	<u>\$ 2,262,939</u>	<u>\$ 2,152,000</u>

COMMUNITY FUTURES LLOYDMINSTER AND REGION DEVELOPMENT CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2021

	<u>Operating</u>		<u>Financing and Investing</u>				<u>2021</u>	<u>2020</u>
	Operating Funds		Loan Investment Funds					
	<u>General</u>	<u>RRRF</u>	<u>Non-Repayable</u>	<u>Repayable</u>	<u>Disabled</u>	<u>RRRF</u>		
Sources of cash								
Federal contracts	\$ 273,309	\$ 122,379	\$ --	\$ --	\$ --	\$ --	\$ 395,688	\$ 293,029
RRRF funding	--	--	--	--	--	3,186,403	3,186,403	--
Investment income	330	--	16,583	1,666	7,676	--	26,255	244,117
Other	21,691	--	1,851	--	--	--	23,542	5,562
Investment loan repayments	--	--	39,135	19,983	144,101	--	203,219	157,910
SBLA loans collected	603	--	--	--	--	--	603	4,708
RRRF loans collected	--	--	--	--	--	1,402	1,402	--
Proceeds on sale of capital assets	--	--	--	--	--	--	--	--
WES project	639,943	--	--	--	--	--	639,943	95,200
WES project other	18,272	--	--	--	--	--	18,272	--
Self-employment contract	<u>3,100</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>3,100</u>	<u>--</u>
	<u>957,248</u>	<u>122,379</u>	<u>57,569</u>	<u>21,649</u>	<u>151,777</u>	<u>3,187,805</u>	<u>4,498,427</u>	<u>800,526</u>
Uses of cash								
Salaries and benefits	214,534	--	--	--	--	--	214,534	117,507
Materials and services	108,114	109,064	--	--	--	--	217,178	244,473
Self-employment contract	--	--	--	--	--	--	--	1,549
Purchase of capital assets	1,075	13,315	--	--	--	--	14,390	4,808
Investment loan advances	--	--	220,000	13,000	101,489	--	334,489	250,222
Repayment of SBLA loans	679	--	--	--	--	--	679	8,061
WES project	735,263	--	--	--	--	--	735,263	188,788
RRRF loans issued	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>3,128,700</u>	<u>3,128,700</u>	<u>--</u>
	<u>1,059,665</u>	<u>122,379</u>	<u>220,000</u>	<u>13,000</u>	<u>101,489</u>	<u>3,128,700</u>	<u>4,645,233</u>	<u>815,408</u>
Net increase (decrease) in cash	(102,417)	--	(162,431)	8,649	50,288	59,105	(146,806)	(14,882)
Cash, beginning of year	388,545	--	383,787	144,446	43,099	--	959,877	974,759
Interfund transfer (note 13)	<u>4,415</u>	<u>--</u>	<u>(19,869)</u>	<u>(37,338)</u>	<u>52,742</u>	<u>50</u>	<u>--</u>	<u>--</u>
Cash, end of year	<u>\$ 290,543</u>	<u>\$ --</u>	<u>\$ 201,487</u>	<u>\$ 115,757</u>	<u>\$ 146,129</u>	<u>\$ 59,155</u>	<u>\$ 813,071</u>	<u>\$ 959,877</u>

COMMUNITY FUTURES LLOYDMINSTER AND REGION
DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021

Purpose of the Organization

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

1. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant policies:

a) Fund accounting

Community Futures Lloydminster and Region Development Corporation follows the restricted method of accounting for contributions and uses the following funds:

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

The Loan Investment Funds report restricted resources that are to be used for assistance to small businesses and entrepreneurs in the form of loans, loan guarantees or equity participation. Loans from the Loan Investment Fund for the Disabled are limited to businesses owned and operated by disabled entrepreneurs. Loans from the Loan Investment Fund for RRRF are for small and medium sized businesses to recover from the adverse impacts of the COVID-19 pandemic.

The organization is restricted in the types of loans that can be made according to its agreement with the federal government.

b) Financial Instruments

The organizations financial instruments consist of cash, receivables, payables and accrued liabilities, and deferred revenue. All financial instruments are initially recognized at fair value and subsequently measured at amortized cost. Transaction costs and financial fees associated with financial instruments carried at amortized cost are recorded as adjustments to the initial fair value recognized and amortized over the life of the financial instrument.

c) Cash in Bank

Cash in bank is defined as cash in chequing accounts adjusted for outstanding cheques and deposits.

d) Long Term Investments

Investments for which there are quoted prices in an active market are carried at fair value. Unrealized gains or losses are reported in revenue. Investments for which there is not an active market are carried at amortized cost except when it is established that their value is impaired.

COMMUNITY FUTURES LLOYDMINSTER AND REGION
DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021

1. Significant Accounting Policies (continued)

e) Capital Assets

Purchased capital assets are recorded at cost. Amortization is provided for over the estimated useful life of the assets using the following rates and methods (only one half of the following rates are used in the year of acquisition):

Leasehold improvements	20% straight line
Office furniture	20% declining balance
Office equipment	30% declining balance
Computer software	50% declining balance

Amortization is recorded in the operating funds.

f) Revenue Recognition

Community Futures Lloydminster and Region Development Corporation follows the deferral method of accounting for revenue. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

g) Measurement Uncertainty

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 amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Such estimates include the amortization of capital assets and the provision for investment losses. These estimates are reviewed periodically and as adjustments become necessary, they are reported as earnings in the period in which they become known.

2. Economic Dependence

The organization received 96.4% (2020 – 96.6%) of its operating revenue from the federal government and is economically dependent on these revenues.

3. Long Term Investments

Long-term investments consist of Credit Union Equity of \$16,532 (2020 – \$16,045) and Community Futures Lending and Investment Pool (C-Flip) Investments of \$466,838 (2020 - \$426,407). The C-Flip Investments are funds administered by Recordkeeper Inc. and managed by Royal Trust. Of the invested funds 50% are available to be lent back to Community Development Corporations with the remaining funds invested in money market funds.

COMMUNITY FUTURES LLOYDMINSTER AND REGION
DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021

4. Capital Assets

	2021			2020
	Cost	Accumulated Amortization	NBV	NBV
Leasehold improvements	\$ 70,271	\$ 59,730	\$ 10,541	\$ 24,595
Office furniture	6,625	5,002	1,623	2,028
Office equipment	22,318	16,171	6,147	7,602
Computer software	5,126	5,106	20	40
Computer Equipment (RRRF)	<u>13,315</u>	<u>1,997</u>	<u>11,318</u>	<u>--</u>
	<u>\$ 117,655</u>	<u>\$ 88,006</u>	<u>\$ 29,649</u>	<u>\$ 34,265</u>

5. Impaired Loans

Impaired loans and the related allowance for credit losses are as follows:

	Gross Amount	General Allowance	Specific Allowance	Carrying Value	
				2021	2020
Loans to small business	\$ <u>490,283</u>	\$ <u>--</u>	\$ <u>342,026</u>	\$ <u>148,257</u>	\$ <u>21,047</u>

6. Allowance for Credit Losses

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

	2020 Ending Balance	Write offs (net of Recoveries)	Provision for Credit Losses	2021 Ending Balance
Loan Investment Fund - Non-repayable	\$ 246,905	\$ (1,851)	\$ (2,255)	\$ 246,501
Loan Investment Fund - Repayable	--	--	--	--
Loan Investment Fund - Disability	<u>109,275</u>	<u>--</u>	<u>(13,750)</u>	<u>95,525</u>
	<u>\$ 356,180</u>	<u>\$ (1,851)</u>	<u>\$ (16,005)</u>	<u>\$ 342,026</u>

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

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FOR THE YEAR ENDED MARCH 31, 2021

7. Investment Loans Receivable

Outstanding loans to entrepreneurs are interest bearing at fixed rates varying from 5.2% to 9% with monthly blended principal and interest repayments amortized for terms between thirty-six months and sixty months. Security is taken on these loans as appropriate to the situation and includes personal guarantees, general security agreements covering business assets and mortgages on land and buildings.

8. Deferred Revenue

The organization received funding that relates to the subsequent year and is therefore deferred. Deferred funding consists of the following:

	<u>2021</u>	<u>2020</u>
WD Funding	\$ -	\$ 32,666
Self employment	3,500	400
Alberta I-Market	<u>33,436</u>	<u>--</u>
	<u>\$ 36,936</u>	<u>\$ 33,066</u>

9. Externally Restricted Funds

Major categories of externally imposed restrictions on net assets are as follows:

	<u>2021</u>	<u>2020</u>
Non-Repayable Investment	\$ 1,169,538	\$ 1,137,373
Repayable Investment	619,705	586,303
Disabled Investment	<u>(11,278)</u>	<u>(32,825)</u>
	<u>\$ 1,777,965</u>	<u>\$ 1,690,851</u>

The department of Western Economic Diversification amended the terms and conditions of its contribution agreement with the Corporation. Under the revised terms and conditions, the Conditionally Repayable Loan investment funding of \$900,000 is repayable if any of the following conditions occur:

- i) The Conditionally Repayable Investment Fund is not administered according to the terms and conditions specified in this Agreement; or
- ii) Based on reviews and evaluations of the operations and the Conditionally Repayable Investment Fund of the Corporation, the Conditionally Repayable Investment 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 Canadian economy; or
- iii) In the opinion of the Minister, the Conditionally Repayable Investment Fund is no longer necessary or relevant to the development of the western Canadian economy; or
- iv) The Agreement is terminated as described in Section 7; or
- v) An event of default occurs, as described in Section 7 of the Agreement; or
- vi) The Minister does not approve terms and conditions to extend the project beyond March 31, 2021.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021

10. Commitments

The organization signed a five-year lease for office space ending December 31, 2021 and has leased office equipment with the following annual minimum lease payments:

	Rent	Equipment
2022	\$ 23,422	\$ 4,994

11. Non-Balance Sheet Items

To meet the needs of its clients and fulfill its purpose, the investment funds participate in various non-balance sheet instruments which these financial statements do not fully reflect. These instruments are subject to the investment funds normal credit and financial procedures and consist of:

- i) Loan guarantees which represent irrevocable assurances that the investment funds will pay if a client cannot meet his obligations to a third party; and
- ii) Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans.

As at March 31, 2021 the investment fund had \$ nil (2020 - \$103,217) of undisbursed loans.

12. Financial Instruments

a) 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 on the loans receivable from its clients. In order to reduce such risk, the organization has adopted extensive credit and approval policies that include the regular review of client accounts and credit worthiness. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts.

b) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the organization manages exposure through its policy of setting loan terms of less than 60 months.

c) Liquidity risk

The organizations exposure to liquidity risk is dependent on the collection of accounts receivable and obligations or raising of funds to meet commitments and sustain operations. The system controls liquidity risk by management of working capital, cash flows and the availability of borrowing facilities.

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12. Financial Instruments (continued)

d) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is minimal.

e) Currency risk

It is management's opinion that the organization is not exposed to significant currency risk arising from its financial instruments as they are all in Canadian dollars.

13. Interfund Transfers

In the 2020/2021 year operations paid the non-repayable fund \$18,465 and the repayable fund paid operations \$22,880 to clear out amounts owing from prior years.

The repayable fund paid the non-repayable fund \$14,458 owing from March 31, 2020.

An additional \$52,742 was transferred from the non-repayable fund to the disability fund in the current year. At March 31, 2021, the disability fund owes the non-repayable fund \$364,903 and the repayable fund \$11,544.

The non-repayable fund owes the repayable fund \$1,147 at March 31, 2021 for repayable loan payments deposited into the non-repayable account during the year.

The RRRF investment loan fund owes the non-repayable fund \$50 at March 31, 2021 for an error in reimbursed bank charges during the year.

14. Comparative Figures

Certain of the 2020 comparative figures have been reclassified to conform to the current years financial statement presentation.

15. Continuing Economic Event

In March 2020, the World Health Organization declared a global pandemic due to the novel coronavirus (COVID-19). The situation is constantly evolving, and the measures put in place are having multiple impacts on local, provincial, national and global economies.

Management is uncertain of the effects this economic event will have on its financial statements as there is uncertainty about the length of this pandemic.

As a result, we are unable to estimate the potential impact on the corporation's operations as at the date of these financial statements.

COMMUNITY FUTURES LLOYDMINSTER AND REGION
DEVELOPMENT CORPORATION
SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED MARCH 31, 2021

Operating expenses	Operating Fund		2021	2020
	General	RRRF		
Salaries and benefits	\$ 218,976	\$ --	\$ 218,976	\$ 123,742
Special projects	756	70,257	71,013	14,052
Office rent and utilities	30,205	--	30,205	31,734
Marketing and promotion	5,923	15,226	21,149	25,279
Amortization expense	16,884	1,997	18,881	16,829
Professional fees	15,558	--	15,558	17,750
Office supplies	7,023	6,703	13,726	2,385
Contract services	7,292	3,533	10,825	45,561
Information technology	4,354	6,188	10,542	5,820
Telephone and internet	9,086	--	9,086	8,388
Equipment rental	4,581	--	4,581	5,010
Staff development	466	4,074	4,540	3,642
Maintenance and repairs	2,700	600	3,300	8,440
Insurance	3,072	--	3,072	3,413
Memberships	1,479	--	1,479	1,958
Staff travel	1,264	--	1,264	14,176
Bank charges	1,000	--	1,000	632
Board member expenses	413	117	530	3,764
Client recovery costs	498	--	498	--
Meeting expenses	<u>447</u>	<u>--</u>	<u>447</u>	<u>1,487</u>
	<u>\$ 331,977</u>	<u>\$ 108,695</u>	<u>\$ 440,672</u>	<u>\$ 334,062</u>