

**COMMUNITY FUTURES LLOYDMINSTER AND REGION
DEVELOPMENT CORPORATION
FINANCIAL STATEMENTS
FOR THE YEAR ENDING MARCH 31, 2023**

INDEX

	Page
Independent Practitioner's Reasonable Assurance Report On Compliance	1-2
Independent Auditor's Report	3-4
Statement of Financial Position	5
Statement of Operations	6
Statement of Changes in Fund Balances	7
Statement of Cash Flows	8
Notes to the Financial Statements	9-18
Schedule of Operating Expenses	19

INDEPENDENT PRACTITIONER'S REASONABLE ASSURANCE REPORT ON COMPLIANCE

To Prairies Economic Development Canada:

We have undertaken a reasonable assurance engagement of Community Futures Lloydminster and Region Development Corporation's compliance during the period April 1, 2022 to March 31, 2023, with the requirements set out in the Contribution Agreement between Prairies Economic Development Canada and Community Futures Lloydminster and Region Development Corporation (the Corporation) dated March 3, 2022.

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, 2022 to March 31, 2023, 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 Prairies Economic Development Canada and should not be distributed to or used by parties other than the Corporation or Prairies Economic Development Canada.

St. Paul, Alberta
June 22, 2023


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, 2023, 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, 2023, and its operations, changes in fund balances, 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
June 22, 2023

Handwritten signature of JMD Group LLP in black ink.

Chartered Professional Accountants

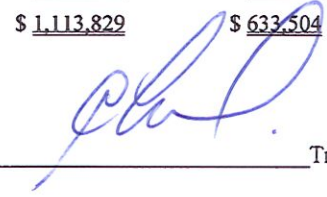
COMMUNITY FUTURES LLOYDMINSTER AND REGION DEVELOPMENT CORPORATION
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2023

	Operating Funds		Loan Investment Funds				2023	2022
	General	RRRF	Non-Repayable	Repayable	Disabled	RRRF		
ASSETS								
Current assets								
Cash in bank	\$ 366,002	\$ --	\$ 167,529	\$ 180,461	\$ 166,748	\$ 172,956	\$ 1,053,696	\$ 1,064,280
Accounts receivable (note 3)	144,651	--	--	--	--	--	144,651	50,910
Short term investments (note 4)	--	--	21,466	33,585	--	--	55,051	256,082
Due from investment funds (note 18)	25,345	--	--	--	--	--	25,345	6,792
Prepaid expenses	6,396	2,814	--	--	--	--	9,210	9,379
Current portion of investment loans	7,183	--	111,079	99,315	1,780	--	219,357	131,737
Current portion of loans receivable	<u>15,789</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>15,789</u>	<u>--</u>
	565,366	2,814	300,074	313,361	168,528	172,956	1,523,099	1,519,180
Long term investments (note 5)	6,644	--	10,993	--	--	--	17,637	16,961
Capital assets (note 6)	18,920	5,546	--	--	--	--	24,466	15,947
Investment loans receivable (notes 7 - 9)	13,417	--	802,762	320,143	17,218	--	1,153,540	1,131,035
Loans receivable – (note 7, note 13)	<u>83,291</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>2,737,651</u>	<u>2,820,942</u>	<u>3,151,351</u>
	<u>\$ 687,638</u>	<u>\$ 8,360</u>	<u>\$ 1,113,829</u>	<u>\$ 633,504</u>	<u>\$ 185,746</u>	<u>\$ 2,910,607</u>	<u>\$ 5,539,684</u>	<u>\$ 5,834,474</u>
LIABILITIES AND FUND BALANCES								
Current liabilities								
Payables and accrued liabilities (note 10)	\$ 33,808	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 33,808	\$ 64,096
Due to general fund	--	--	1,025	1,485	275	22,560	25,345	6,792
Due to (from) investment funds (note 18)	--	--	(180,000)	--	180,000	--	--	--
Deferred revenue (note 11)	11,300	--	--	--	--	75,001	86,301	140,951
Loans repayable (note 13)	<u>1,285</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>71,399</u>	<u>72,684</u>	<u>128,028</u>
	46,393	--	(178,975)	1,485	180,275	168,960	218,138	339,867
Loans repayable (note 13)	97,430	--	--	--	--	2,737,651	2,835,081	3,151,351
Deferred capital contributions (note 14)	<u>10,644</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>10,644</u>	<u>--</u>
	<u>154,467</u>	<u>--</u>	<u>(178,975)</u>	<u>1,485</u>	<u>180,275</u>	<u>2,906,611</u>	<u>3,063,863</u>	<u>3,491,218</u>
Fund balances								
Invested in capital assets	18,920	5,546	--	--	--	--	24,466	15,947
Externally restricted (note 12)	--	--	1,292,804	632,019	5,471	3,996	1,934,290	1,865,622
Unrestricted	<u>514,251</u>	<u>2,814</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>517,065</u>	<u>461,687</u>
	<u>533,171</u>	<u>8,360</u>	<u>1,292,804</u>	<u>632,019</u>	<u>5,471</u>	<u>3,996</u>	<u>2,475,821</u>	<u>2,343,256</u>
	<u>\$ 687,638</u>	<u>\$ 8,360</u>	<u>\$ 1,113,829</u>	<u>\$ 633,504</u>	<u>\$ 185,746</u>	<u>\$ 2,910,607</u>	<u>\$ 5,539,684</u>	<u>\$ 5,834,474</u>

Approved on Behalf of The Board:



Chairman



Treasurer

COMMUNITY FUTURES LLOYDMINSTER AND REGION DEVELOPMENT CORPORATION
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2023

	Operating Funds		Loan Investment Funds				2023	2022
	General	RRRF	Non-Repayable	Repayable	Disabled	RRRF		
Revenue								
Federal contracts	\$ 294,963	\$ 22,885	\$ --	\$ --	\$ --	\$ --	\$ 317,848	\$ 300,757
Loan interest	3,730	--	67,813	31,224	1,048	--	103,815	78,033
Special projects and other revenue	77,172	--	--	--	--	--	77,172	31,014
Bank interest	10,675	--	4,805	4,374	4,292	3,959	28,105	748
CFLIP investment income	--	--	669	1,424	--	--	2,093	7,485
CFLIP unrealized gain/(loss)	--	--	(375)	(2,749)	--	--	(3,124)	6,759
Digital literacy contract	66,167	--	--	--	--	--	66,167	25,183
WES project	262,076	--	--	--	--	--	262,076	215,065
WES -- in kind contributions	20,937	--	--	--	--	--	20,937	26,752
WES other	4,876	--	--	--	--	--	4,876	--
Amortization of deferred capital contributions (note 14)	<u>1,703</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,703</u>	<u>--</u>
	<u>742,299</u>	<u>22,885</u>	<u>72,912</u>	<u>34,273</u>	<u>5,340</u>	<u>3,959</u>	<u>881,668</u>	<u>691,796</u>
Expenses								
Operating expenses (schedule)	383,347	24,040	--	--	--	--	407,387	361,782
Provision for (recovery of) loan losses	--	--	1,238	47,972	(1,394)	--	47,816	4,989
WES project	272,963	--	--	--	--	--	272,963	217,580
WES -- in kind expenditures	20,937	--	--	--	--	--	20,937	26,752
WES -- other	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>376</u>
	<u>677,247</u>	<u>24,040</u>	<u>1,238</u>	<u>47,972</u>	<u>(1,394)</u>	<u>--</u>	<u>749,103</u>	<u>611,479</u>
Excess (deficiency) of revenue over expenses	\$ <u>65,052</u>	\$ <u>(1,155)</u>	\$ <u>71,674</u>	\$ <u>(13,699)</u>	\$ <u>6,734</u>	\$ <u>3,959</u>	\$ <u>132,565</u>	\$ <u>80,317</u>

COMMUNITY FUTURES LLOYDMINSTER AND REGION DEVELOPMENT CORPORATION
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2023

	Operating Funds		Loan Investment Funds				2023	2022
	General	RRRF	Non-Repayable	Repayable	Disabled	RRRF		
Equity in capital assets, beginning of year	\$ 8,025	\$ 7,922	\$ --	\$ --	\$ --	\$ --	\$ 15,947	\$ 29,649
Purchase of capital assets	15,017	--	--	--	--	--	15,017	2,681
Amortization	(4,011)	(2,376)	--	--	--	--	(6,387)	(16,383)
Loss on disposal of capital assets	(111)	--	--	--	--	--	(111)	--
Proceeds on sale of capital assets	--	--	--	--	--	--	--	--
Equity in capital assets, end of year	<u>18,920</u>	<u>5,546</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>24,466</u>	<u>15,947</u>
Externally restricted funds, beginning of year	--	--	1,221,130	645,718	(1,263)	37	1,865,622	1,777,965
Excess (deficiency) of revenue over expenses	--	--	<u>71,674</u>	<u>(13,699)</u>	<u>6,734</u>	<u>3,959</u>	<u>68,668</u>	<u>87,657</u>
Externally restricted funds, end of year	<u>--</u>	<u>--</u>	<u>1,292,804</u>	<u>632,019</u>	<u>5,471</u>	<u>3,996</u>	<u>1,934,290</u>	<u>1,865,622</u>
Unrestricted funds, beginning of year	460,094	1,593	--	--	--	--	461,687	455,325
Excess (deficiency) of revenue over expenses	65,052	(1,155)	--	--	--	--	63,897	(7,340)
Purchase of capital assets	(15,017)	--	--	--	--	--	(15,017)	(2,681)
Amortization	4,011	2,376	--	--	--	--	6,387	16,383
Loss on disposal of capital assets	111	--	--	--	--	--	111	--
Proceeds on sale of capital assets	--	--	--	--	--	--	--	--
Unrestricted funds, end of year	<u>514,251</u>	<u>2,814</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>517,065</u>	<u>461,687</u>
	<u>\$ 533,171</u>	<u>\$ 8,360</u>	<u>\$ 1,292,804</u>	<u>\$ 632,019</u>	<u>\$ 5,471</u>	<u>\$ 3,996</u>	<u>\$ 2,475,821</u>	<u>\$ 2,343,256</u>

COMMUNITY FUTURES LLOYDMINSTER AND REGION DEVELOPMENT CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2023

	Operating Funds		Loan Investment Funds				2023	2022
	General	RRRF	Non-Repayable	Repayable	Disabled	RRRF		
Operating Activities								
Federal contracts	\$ 265,118	\$ 22,885	\$ --	\$ --	\$ --	\$ --	\$ 288,003	\$ 290,911
Investment income	3,245	--	59,040	28,116	993	--	91,394	79,097
Bank interest income	10,421	--	4,758	5,450	4,247	3,634	28,510	--
Special projects and other income	48,937	--	--	--	--	--	48,937	52,835
WES project income	192,761	--	--	--	--	--	192,761	392,261
WES project other income	4,876	--	--	--	--	--	4,876	--
CF PanWest	12,347	--	--	--	--	--	12,347	--
Digital literacy contract	37,537	--	--	--	--	--	37,537	50,312
Salaries and benefits	(186,478)	(6,500)	--	--	--	--	(192,978)	(212,943)
Materials and services	(206,698)	(16,385)	--	--	--	--	(223,083)	(121,270)
WES project expenses	(281,437)	--	--	--	--	--	(281,437)	(241,112)
WES other expenses	--	--	--	--	--	--	--	(376)
	<u>(99,371)</u>	<u>--</u>	<u>63,798</u>	<u>33,566</u>	<u>5,240</u>	<u>3,634</u>	<u>6,867</u>	<u>289,715</u>
Investing Activities								
Purchase of capital assets	(15,017)	--	--	--	--	--	(15,017)	(2,681)
CFLIP investments redeemed	--	--	--	200,000	--	--	200,000	225,000
	<u>(15,017)</u>	<u>--</u>	<u>--</u>	<u>200,000</u>	<u>--</u>	<u>--</u>	<u>184,983</u>	<u>222,319</u>
Financing Activities								
Investment loan advances	--	--	(108,875)	(265,645)	(6,550)	--	(381,070)	(1,015,223)
Investment loan repayments	--	--	114,670	135,879	5,196	287,700	543,445	915,242
SSB and CGI loans collected	1,605	--	--	--	--	--	1,605	--
SSB and CGI loans issued	(120,800)	--	--	--	--	--	(120,800)	--
RRRF loans issued	--	--	--	--	--	--	--	(400,000)
RRRF funding (net of repayments)	--	--	--	--	--	--	--	445,978
Advances (repayments) to CFNA	98,715	--	--	--	--	(344,329)	(245,614)	(206,822)
Interfund transfer (note 14)	5,492	--	(40)	40	--	(5,492)	--	--
	<u>(14,988)</u>	<u>--</u>	<u>5,755</u>	<u>(129,726)</u>	<u>(1,354)</u>	<u>(62,121)</u>	<u>(202,434)</u>	<u>(260,825)</u>
Net increase (decrease) in cash	(129,376)	--	69,553	103,840	3,886	(58,487)	(10,584)	251,209
Cash, beginning of year	<u>495,378</u>	<u>--</u>	<u>97,976</u>	<u>76,621</u>	<u>162,862</u>	<u>231,443</u>	<u>1,064,280</u>	<u>813,071</u>
Cash, end of year	<u>\$ 366,002</u>	<u>\$ --</u>	<u>\$ 167,529</u>	<u>\$ 180,461</u>	<u>\$ 166,748</u>	<u>\$ 172,956</u>	<u>\$ 1,053,696</u>	<u>\$ 1,064,280</u>

COMMUNITY FUTURES LLOYDMINSTER AND REGION
DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023

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

The organization follows the restricted fund method of accounting for contributions and uses the following funds:

The Operating Funds are used to account for all revenues and expenses related to program delivery and administrative activities. These funds report unrestricted resources and restricted operating grants.

The Non-Repayable Investment Fund is used to account for non-repayable investment funds the organization received from Prairies Economic Development Canada to be used for loans, loan guarantees, and equity investments in new businesses or expansion of an existing business.

The Conditionally Repayable Investment Fund is used to account for repayable investment funds the organization received from Prairies Economic Development Canada to be used for loans, loan guarantees, and equity investments in new businesses or expansion of an existing business.

The Entrepreneurs with Disabilities Fund is used to account for repayable investment funds the organization received from Prairies Economic Development Canada to be used for loans, loan guarantees, and equity investments in businesses owned by person with disabilities.

The Regional Relief and Recovery Fund (RRRF) is used to account for repayable investments funds the organization received via Community Futures Network of Alberta to provide loans for small and medium-sized enterprises to enable their recovery from economic disruptions caused by the COVID-19 pandemic.

b) Financial Instruments

The organizations financial instruments consist of cash, receivables, payables and accrued liabilities. 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.

COMMUNITY FUTURES LLOYDMINSTER AND REGION
DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023

1. Significant Accounting Policies (continued)

c) Cash and cash equivalents

The organization includes cash on hand and amounts held by financial institutions in operating accounts in the determination of cash and cash equivalents.

d) Short Term and Long Term Investments

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

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. Capital grants received for capital asset purchases are amortized over the same period as the related asset.

f) Revenue Recognition

Restricted contributions related to general operations are recognized as revenue of the operating fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

Unrestricted contributions are recognized as revenue of the operating fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income includes interest income as well as realized and unrealized investment gains and losses. This income is recognized as revenue in the statement of operations, deferred or reported directly in net assets depending on the nature of any external restrictions imposed on the investment income.

Special projects and other revenue are recognized as revenue when received or receivable, once the service is provided.

COMMUNITY FUTURES LLOYDMINSTER AND REGION
DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023

1. Significant Accounting Policies (continued)

g) Impaired loans and allowances for loan impairment

Loans receivable are classified as impaired when, in the opinion of management, there is reasonable doubt as to the timely collection of principal and interest. The carrying amount of a loan receivable classified as impaired is reduced to its estimated fair value.

The allowance for loan impairment is maintained at a level considered adequate to absorb the credit losses existing in the organization's portfolio. It reflects management's best estimate of losses existing in the loan portfolio at the statement of financial position date. The allowance is increased by an annual provision for credit losses, which is charged against income and reduced by write-offs, net of recoveries.

h) 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 loan losses. These estimates are reviewed periodically and as adjustments become necessary, they are reported as earnings in the period in which they become known.

i) Contributed Services

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

2. Economic Dependence

The organization received 78.5% (2022 – 90.1%) of its operating revenue from the federal government and is economically dependent on these revenues.

3. Accounts Receivable

	<u>2023</u>	<u>2022</u>
Trade Receivables	\$ --	\$ 1,644
GST Receivable	8,816	7,746
WES Receivable	110,835	41,520
PanWest Grant Receivable	<u>25,000</u>	<u>--</u>
	<u>\$ 144,651</u>	<u>\$ 50,910</u>

COMMUNITY FUTURES LLOYDMINSTER AND REGION
DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023

4. Short Term Investments

Short term investments consist of Community Futures Lending and Investment Pool (C-Flip) Investments. 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. The cost base of these investments is \$52,675 (2022 - \$240,355).

5. Long Term Investments

Long term investments consist of Credit Union Equity.

6. Capital Assets

	2023			2022
	Cost	Accumulated Amortization	NBV	NBV
Leasehold improvements	\$ 72,941	\$ 70,573	2,368	\$ --
Office furniture	11,790	6,132	5,658	3,711
Office equipment	30,591	19,702	10,889	4,303
Computer software	5,126	5,121	5	11
Computer equipment (RRRF)	<u>13,315</u>	<u>7,769</u>	<u>5,546</u>	<u>7,922</u>
	<u>\$ 133,763</u>	<u>\$ 109,297</u>	<u>\$ 24,466</u>	<u>\$ 15,947</u>

7. Investment Loans Receivable

Outstanding loans to entrepreneurs are interest bearing at fixed rates varying from 4.5% to 9.45% 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, assignment of insurance and mortgages on land and buildings.

At year end, the corporation had one non-repayable and two repayable loans totalling over \$150,000 to the same client. The balance outstanding on these loans as at March 31, 2023 is \$200,938 (2022 - \$157,090) and an allowance of \$58,938 (2022 – nil) has been recorded against these loans.

The RRRF loans of up to \$60,000 each, were provided to businesses to finance qualifying expenses during COVID-19. The loans are non-interest bearing, with no scheduled payments until December 31, 2023. If the loan has been repaid by that date, 25% of the first \$40,000 and 50% of any additional amounts up to \$60,000 will be forgiven. If the full amount of the loan payments has not been repaid by December 31, 2023, the full outstanding balance of the loan will be converted to a 5% interest bearing loan to be repaid in monthly instalments over a two year period ending December 31, 2025.

COMMUNITY FUTURES LLOYDMINSTER AND REGION
DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023

7. Investment Loans Receivable (continued)

These loans were financed via the conditionally repayable loan from Community Futures Network of Alberta (note 13).

Repayable loan funds totalling \$100,000 were received from the Community Futures Network of Alberta (see note 13) through the Capital Growth Initiative. These loans are tracked through the general fund and bear interest at 4.5% for a 5-year term ending August 2027. If 75% of the principal is repaid by the 5-year term, the remaining 25% will be forgiven.

The general fund also has a loan program called Smarter Small Business which was funded with excess operating dollars. These loans are advanced upon the successful completion of a marketing program. These loans are for \$5,000, are unsecured, bear interest at 8% per annum and have a thirty-six month term.

8. Impaired Loans

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

	<u>Gross Amount</u>	<u>General Allowance</u>	<u>Specific Allowance</u>	<u>Carrying Value</u>	
				<u>2023</u>	<u>2022</u>
Loans to small business	\$ <u>242,394</u>	\$ <u>---</u>	\$ <u>72,257</u>	\$ <u>170,137</u>	\$ <u>34,822</u>

9. 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 the loan portfolio, as determined by management, as follows:

	<u>2022 Ending Balance</u>	<u>Write offs (net of Recoveries)</u>	<u>Provision for Credit Losses</u>	<u>2023 Ending Balance</u>
Loan Investment Fund - Non-repayable	\$ 14,519	\$ 8,528	\$ 1,238	\$ 24,285
Loan Investment Fund - Repayable	--	--	47,972	47,972
Loan Investment Fund - Disability	--	<u>1,394</u>	<u>(1,394)</u>	--
	<u>\$ 14,519</u>	<u>\$ 9,922</u>	<u>\$ 47,816</u>	<u>\$ 72,257</u>

10. Payables and Accrued Liabilities

	<u>2023</u>	<u>2022</u>
Trade Payables	\$ 17,210	\$ 37,721
Vacation and Wages Payable	11,158	11,291
Payroll Deductions Payable	5,440	8,124
RRRF Operating Grant Payable	--	<u>6,960</u>
	<u>\$ 33,808</u>	<u>\$ 64,096</u>

COMMUNITY FUTURES LLOYDMINSTER AND REGION
DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023

11. Deferred Revenue

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

	<u>2023</u>	<u>2022</u>
Digital Literacy	\$ --	\$ 28,629
Rental Income	1,300	--
Alberta I-Market	--	14,436
RRRF – Operating Funds	75,001	97,886
CGI – Operating Funds	<u>10,000</u>	<u>--</u>
	<u>\$ 86,301</u>	<u>\$ 140,951</u>

12. Externally Restricted Funds

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

	<u>2023</u>	<u>2022</u>
Non-Repayable Investment	\$ 1,292,804	\$ 1,221,130
Repayable Investment	632,019	645,718
Disabled Investment	5,471	(1,263)
RRRF Investment	<u>3,996</u>	<u>37</u>
	<u>\$ 1,934,290</u>	<u>\$ 1,865,622</u>

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

- (a) Prior to Prairies Economic Development Canada, the Government of Canada had made past contributions totaling \$200,000 to the Disabled Repayable Investment Fund.
- (b) Prior to Prairies Economic Development Canada, the Government of Canada had 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;

COMMUNITY FUTURES LLOYDMINSTER AND REGION
DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023

12. Externally Restricted Funds (continued)

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, 2026.

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

- 1) repay the lesser of:
 - i) the uncommitted cash balance of the Conditionally Repayable Investment Funds; or
 - ii) the total amount paid by Prairies Economic Development Canada 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 proceeds of liquidation to the Minister.

The amount repaid under 1 through 3 above are limited to the total amounts paid by Prairies Economic Development Canada to the organization for the establishment and maintenance of the Conditionally Repayable Investment Funds.

It is management's position that none of the conditions noted above existed at March 31, 2023.

13. Loans Receivable and Loans Repayable

RRRF

As at March 31, 2023, \$3,528,700 has been used to fund RRRF loans. The balance due to Community Futures Network of Alberta (CFNA) is non-interest bearing with no payments due until after December 31, 2023. Any loan payments received to that date will be remitted regularly to CFNA. After that time, the remaining loan continues to be non-interest bearing and will be repayable in monthly instalments over a two-year period ending December 31, 2025. The balance to be repaid will be reduced to the extent that the loans receivable are forgiven (note 7) and by any loans that are not collectible and costs associated with attempts to collect loans in arrears.

The balance has been recorded net of the forgivable portion of the loan receivable. The forgivable portion has been recorded for clients that have made the required repayments as at March 31, 2023.

	<u>2023</u>	<u>2022</u>
Loans receivable & repayable, beginning of year	\$ 3,151,351	\$ 3,127,298
RRRF loans issued	--	400,000
Forgivable portion of loans receivable	(126,000)	(42,500)
Payments received	<u>(287,700)</u>	<u>(333,447)</u>
Loans receivable & repayable, end of year	\$ <u>2,737,651</u>	\$ <u>3,151,351</u>

COMMUNITY FUTURES LLOYDMINSTER AND REGION
DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023

13. Loans Receivable and Loans Repayable (continued)

CGI

As at March 31, 2023, \$100,000 has been used to fund CGI loans. The balance due to Community Futures Network of Alberta (CFNA) is non-interest bearing and any principal loan payments received will be remitted regularly to CFNA. The balance to be repaid will be reduced to the extent the loans receivable are forgiven (note 7) and by any loans that are not collected and costs associated when attempts to collect loans in arrears.

	<u>2023</u>	<u>2022</u>
Loans repayable, beginning of year	\$ --	\$ --
CGI loans issued	100,000	--
Repayments made	<u>(1,285)</u>	<u>--</u>
	98,715	\$ --
Loans repayable, current	<u>(1,285)</u>	<u>--</u>
Loans repayable, long term	\$ <u>97,430</u>	<u>--</u>
Loans receivable, beginning of year	--	--
Loans issued	100,000	--
Interest outstanding	365	--
Repayments received	<u>(1,285)</u>	<u>--</u>
	99,080	--
Loans receivable, current	<u>(15,789)</u>	<u>--</u>
Loans receivable, long term	\$ <u>83,291</u>	<u>--</u>

14. Deferred Capital Contributions

During the year, Community Futures PanWest advanced \$50,000 of grant funding to the Corporation. Office furniture and equipment totaling \$12,347 was purchased with this funding. The deferred contribution is amortized over the same period as the related assets. The changes in the deferred contribution are as follows:

	<u>2023</u>	<u>2022</u>
Beginning balance	\$ --	\$ --
Contribution received	12,347	--
Less amount amortized to revenue	<u>(1,703)</u>	<u>--</u>
Closing Balance	\$ <u>10,644</u>	\$ <u>--</u>

COMMUNITY FUTURES LLOYDMINSTER AND REGION
DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023

15. Commitments

The organization signed a five-year lease for office space ending December 31, 2026 and has leased office equipment with the following annual minimum lease payments:

	Rent	Equipment
2024	\$ 36,531	\$ 3,508
2025	36,531	3,508
2026	36,531	3,508
2027	27,398	2,631

16. 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, 2023 the investment funds had \$44,354 (2022 - \$49,029) of undisbursed loans.

17. Financial Instruments

a) Credit risk

Credit risk arises from the potential that the entities to which the organization provides financing to may experience difficulties and be unable to fulfill their 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.

COMMUNITY FUTURES LLOYDMINSTER AND REGION
DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023

17. Financial Instruments (continued)

c) Liquidity risk

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

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.

18. Interfund Transfers

The disability fund continues to owe the non-repayable fund \$180,000.

The non-repayable fund repaid the repayable fund \$40 for an amount owing at March 31, 2022.

The RRRF fund owes the general fund \$22,560 (2022 - \$5,492) for RRRF operating funds spent during the year. This balance is net of fees already paid by the RRRF investment fund.

The non-repayable fund, repayable fund and disability fund owe the operating fund \$1,025, \$1,485 and \$275 respectively at March 31, 2023 for fees collected during the year.

19. Comparative Figures

Certain of the 2022 comparative figures have been reclassified to conform to the current years financial statement presentation.

COMMUNITY FUTURES LLOYDMINSTER AND REGION
DEVELOPMENT CORPORATION
SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED MARCH 31, 2023

Operating expenses	Operating Fund		<u>2023</u>	<u>2022</u>
	<u>General</u>	<u>RRRF</u>		
Salaries and benefits	\$ 183,662	\$ 6,500	\$ 190,162	\$ 214,713
Special projects	93,393	--	93,393	29,978
Office rent and utilities	36,981	1,902	38,883	33,095
Professional fees	14,531	512	15,043	14,514
Information technology	9,896	4,546	14,442	5,530
Telephone and internet	6,797	--	6,797	9,007
Staff development	5,403	--	5,403	1,261
Office supplies	5,079	174	5,253	7,303
Amortization expense	4,011	2,376	6,387	16,383
Maintenance and repairs	3,908	--	3,908	5,839
Insurance	3,359	--	3,359	3,102
Contract services	3,205	6,569	9,774	7,653
Memberships	2,985	--	2,985	2,739
Equipment rental	2,540	--	2,540	4,100
Staff travel	2,145	328	2,473	1,716
Marketing and promotion	1,991	--	1,991	3,357
Board member expenses	1,979	--	1,979	362
Meeting expenses	791	408	1,199	396
Bank charges	580	725	1,305	734
Loss on disposal of assets	<u>111</u>	<u>--</u>	<u>111</u>	<u>--</u>
	<u>\$ 383,347</u>	<u>\$ 24,040</u>	<u>\$ 407,387</u>	<u>\$ 361,782</u>