

**COMMUNITY FUTURES YELLOWHEAD EAST**

**Financial Statements**

**Year Ended March 31, 2021**

**COMMUNITY FUTURES YELLOWHEAD EAST**

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**Year Ended March 31, 2021**

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## INDEPENDENT AUDITOR'S REPORT

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To the Members of Community Futures Yellowhead East

### *Opinion*

We have audited the financial statements of Community Futures Yellowhead East (the Company), which comprise the statement of financial position as at March 31, 2021, 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 Company as at March 31, 2021, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

### *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 Company in accordance with ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 ASNPO, 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

### *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:

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Independent Auditor's Report to the Members of Community Futures Yellowhead East *(continued)*

- 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 Company'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 Company'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 Company 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.

Drayton Valley, Alberta  
June 17, 2021

CHARTERED PROFESSIONAL ACCOUNTANTS

**COMMUNITY FUTURES YELLOWHEAD EAST**

**Statement of Financial Position**

**March 31, 2021**

	General Fund 2021	Restricted Non- repayable 2021	Restricted Repayable 2021	Restricted Disabled 2021	RRRF 2021	Total 2021	Total 2020
<b>ASSETS</b>							
<b>CURRENT</b>							
Cash	\$ 132,024	\$ 2,091,861	\$ -	\$ -	\$ -	\$ 2,223,885	\$ 1,960,058
Marketable securities <i>(Note 13)</i>	887,350	-	-	-	-	887,350	797,516
Accounts receivable	177	-	-	-	-	177	1,421
Goods and services tax recoverable	3,773	-	-	-	-	3,773	4,228
Prepaid expenses	6,446	-	-	-	-	6,446	4,389
Interfund receivable <i>(Note 2)</i>	555,084	-	224,771	64,005	228,500	1,072,360	182,309
Accrued interest receivable <i>(Note 3)</i>	-	21,234	2,275	-	-	23,509	1,280
Current portion of investment loans receivable <i>(Note 16)</i>	-	113,247	10,965	-	-	124,212	123,355
	1,584,854	2,226,342	238,011	64,005	228,500	4,341,712	3,074,556
PROPERTY AND EQUIPMENT <i>(Net of accumulated amortization) (Note 4)</i>	302,839	-	-	-	-	302,839	314,309
LOANS AND NOTES RECEIVABLE <i>(Note 16)</i>	-	454,022	38,500	-	2,080,278	2,572,800	430,299
	<b>\$ 1,887,693</b>	<b>\$ 2,680,364</b>	<b>\$ 276,511</b>	<b>\$ 64,005</b>	<b>\$ 2,308,778</b>	<b>\$ 7,217,351</b>	<b>\$ 3,819,164</b>

See notes to financial statements

**COMMUNITY FUTURES YELLOWHEAD EAST**

**Statement of Financial Position**

**March 31, 2021**

	General Fund 2021	Restricted Non- repayable 2021	Restricted Repayable 2021	Restricted Disabled 2021	RRRF 2021	Total 2021	Total 2020
<b>LIABILITIES AND NET ASSETS</b>							
<b>CURRENT</b>							
Accounts payable (Note 5)	\$ 84,368	\$ -	\$ -	\$ -	\$ -	\$ 84,368	\$ 22,109
Deferred income (Note 6)	4,500	-	-	-	-	4,500	47,455
Interfund payable (Note 2)	-	1,072,361	-	-	-	1,072,361	182,309
	<u>88,868</u>	<u>1,072,361</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,161,229</u>	<u>251,873</u>
<b>NET ASSETS</b>							
Share capital	1	-	-	-	-	1	1
Net assets (Notes 8, 9)	<u>1,798,824</u>	<u>1,608,003</u>	<u>276,511</u>	<u>64,005</u>	<u>2,308,778</u>	<u>6,056,121</u>	<u>3,567,290</u>
	<u>1,798,825</u>	<u>1,608,003</u>	<u>276,511</u>	<u>64,005</u>	<u>2,308,778</u>	<u>6,056,122</u>	<u>3,567,291</u>
	<u>\$ 1,887,693</u>	<u>\$ 2,680,364</u>	<u>\$ 276,511</u>	<u>\$ 64,005</u>	<u>\$ 2,308,778</u>	<u>\$ 7,217,351</u>	<u>\$ 3,819,164</u>

**ON BEHALF OF THE BOARD**

\_\_\_\_\_ Director

\_\_\_\_\_ Director

**COMMUNITY FUTURES YELLOWHEAD EAST**

**Statement of Revenues and Expenditures**

**Year Ended March 31, 2021**

	General Fund 2021	Restricted Non- repayable 2021	Restricted Repayable 2021	Restricted Disabled 2021	RRRF 2021	<b>Total 2021</b>	Total 2020
<b>REVENUES</b>							
WEDC Core Funding	\$ 361,542	\$ -	\$ -	\$ -	\$ -	\$ 361,542	\$ 294,963
Project/Sponsorship (Schedule 4)	117,580	-	-	-	-	117,580	149,659
Interest income	2,909	46,303	6,913	-	-	56,125	90,441
Loan fees and cost recoveries	400	9,410	-	-	-	9,810	24,362
Rental income	7,200	-	-	-	-	7,200	6,600
	<u>489,631</u>	<u>55,713</u>	<u>6,913</u>	<u>-</u>	<u>-</u>	<u>552,257</u>	<u>566,025</u>
<b>EXPENDITURES</b>							
Salaries and wages	261,628	-	-	-	-	261,628	212,421
Programs (Schedule 4)	104,930	-	-	-	-	104,930	155,193
Office	33,717	-	-	-	-	33,717	18,275
Advertising and promotion	22,380	-	-	-	-	22,380	7,747
Professional fees	21,738	-	-	-	-	21,738	33,243
Insurance	16,180	-	-	-	-	16,180	13,800
Training	13,453	-	-	-	-	13,453	7,089
Portfolio recovery expense	-	9,410	-	-	-	9,410	15,843
Utilities	8,936	-	-	-	-	8,936	9,798
Board expenses (Note 7)	7,875	-	-	-	-	7,875	25,260
Rental	5,672	-	-	-	-	5,672	4,165
Property taxes	4,491	-	-	-	-	4,491	5,672
Interest and bank charges	890	-	-	-	-	890	2,554
Travel	688	-	-	-	-	688	10,067
Meals and entertainment	675	-	-	-	-	675	2,519
Repairs and maintenance	636	-	-	-	-	636	8,038
Provision for investment loss (recovery)	-	(72,377)	1,530	-	-	(70,847)	239,106
Amortization	16,678	-	-	-	-	16,678	15,620
	<u>520,567</u>	<u>(62,967)</u>	<u>1,530</u>	<u>-</u>	<u>-</u>	<u>459,130</u>	<u>786,410</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES FROM OPERATIONS</b>	<b>(30,936)</b>	<b>118,680</b>	<b>5,383</b>	<b>-</b>	<b>-</b>	<b>93,127</b>	<b>(220,385)</b>

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**COMMUNITY FUTURES YELLOWHEAD EAST**  
**Statement of Revenues and Expenditures (continued)**  
**Year Ended March 31, 2021**

	General Fund 2021	Restricted Non- repayable 2021	Restricted Repayable 2021	Restricted Disabled 2021	RRRF 2021	<b>Total 2021</b>	Total 2020
OTHER INCOME							
Unrealized gain (loss) on marketable securities	86,926	-	-	-	-	<b>86,926</b>	(37,528)
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ 55,990</b>	<b>\$ 118,680</b>	<b>\$ 5,383</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 180,053</b>	<b>\$ (257,913)</b>



**COMMUNITY FUTURES YELLOWHEAD EAST**

**Statement of Changes in Net Assets**

**Year Ended March 31, 2021**

	General Fund	Restricted Non-repayable	Restricted Repayable	Restricted Disabled	RRRF	2021	2020
	(Note 14)						
<b>NET ASSETS - BEGINNING OF YEAR</b>	\$ 1,742,834	\$ 1,489,323	\$ 271,128	\$ 64,005	\$ -	\$ 3,567,290	\$ 3,825,203
Excess of revenues over expenditures	55,990	118,680	5,383	-	-	180,053	(257,913)
Contributions during year	-	-	-	-	2,308,778	2,308,778	-
<b>NET ASSETS - END OF YEAR</b>	\$ 1,798,824	\$ 1,608,003	\$ 276,511	\$ 64,005	\$ 2,308,778	\$ 6,056,121	\$ 3,567,290

**Breakdown of Net Assets**  
**Year Ended March 31, 2021**

	General Fund	Restricted Non-repayable	Restricted Repayable	Restricted Disabled	RRRF	Total 2021	Total 2020
Original contributions	\$ -	\$ 1,550,000	\$ 400,000	\$ 200,000	\$ 2,308,778	\$ 4,458,778	\$ 2,150,000
Earned net assets	1,798,824	58,003	(123,489)	(135,995)	-	1,597,343	1,417,290
	\$ 1,798,824	\$ 1,608,003	\$ 276,511	\$ 64,005	\$ 2,308,778	\$ 6,056,121	\$ 3,567,290

**COMMUNITY FUTURES YELLOWHEAD EAST**

**Statement of Cash Flows**

**Year Ended March 31, 2021**

	General Fund	Restricted Non-repayable	Restricted Repayable	Restricted Disabled	RRRF	2021	2020
<b>OPERATING ACTIVITIES</b>							
Excess (deficiency) of revenues over expenditures	\$ 55,991	\$ 118,679	\$ 5,383	\$ -	\$ -	\$ 180,053	\$ (257,913)
Items not affecting cash:							
Amortization of property and equipment	16,678	-	-	-	-	16,678	15,620
Gain/(losses) on marketable securities	(86,926)	-	-	-	-	(86,926)	37,528
Provision for(recovery of) investment loss		(72,377)	1,530	-	-	(70,847)	239,106
	(14,257)	46,302	6,913	-	-	38,958	34,341
Changes in non-cash working capital:							
Accounts receivable	192	-	-	1,050	-	1,242	(1,421)
Accounts payable	62,261	-	-	-	-	62,261	800
Deferred income	(42,955)	-	-	-	-	(42,955)	(72,222)
Prepaid expenses	(2,057)	-	-	-	-	(2,057)	406
Goods and services tax payable	455	-	-	-	-	455	(4,228)
Interfund receivable/payable	(265,934)	884,968	(225,171)	(170,447)	(228,500)	(5,084)	2
Accrued interest and loan fees receivable	-	(21,234)	(995)	-	-	(22,229)	(9,547)
Interest Transfer	-	-	-	-	-	-	-
	(248,038)	863,734	(226,166)	(169,397)	(228,500)	(8,367)	(86,210)
Cash flow from (used by) operating activities	(262,295)	910,036	(219,253)	(169,397)	(228,500)	30,591	(51,869)
<b>INVESTING ACTIVITIES</b>							
Purchase of property and equipment	(5,207)	-	-	-	-	(5,207)	(5,341)
Recoveries on loans and notes receivable	-	-	-	-	-	-	11,357
Repayment of loans and notes receivable	-	186,876	183,999	-	-	370,875	530,053
Addition to loans and notes receivable	-	(358,023)	-	-	(2,080,278)	(2,438,301)	(360,426)
Proceeds from sale (purchase) of marketable securities	(2,909)	-	-	-	-	(2,909)	(4,428)
Cash flow from (used by) investing activities	(8,116)	(171,147)	183,999	-	(2,080,278)	(2,075,542)	171,215
<b>FINANCING ACTIVITY</b>							
Contributions during year	-	-	-	-	2,308,778	2,308,778	-

*(continues)*

See notes to financial statements

**COMMUNITY FUTURES YELLOWHEAD EAST**

**Statement of Cash Flows (continued)**

**Year Ended March 31, 2021**

	General Fund	Restricted Non-repayable	Restricted Repayable	Restricted Disabled	RRRF	2021	2020
Cash flow from financing activity	-	-	-	-	2,308,778	<b>2,308,778</b>	-
<b>INCREASE (DECREASE) IN CASH FLOW</b>	(270,411)	738,889	(35,254)	(169,397)	-	<b>263,827</b>	119,346
Cash - beginning of year	402,435	1,352,972	35,254	169,397	-	<b>1,960,058</b>	1,840,712
<b>CASH - END OF YEAR</b>	\$ 132,024	\$ 2,091,861	\$ -	\$ -	\$ -	\$ <b>2,223,885</b>	\$ 1,960,058

# COMMUNITY FUTURES YELLOWHEAD EAST

## Notes to Financial Statements

Year Ended March 31, 2021

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of presentation

Community Futures Yellowhead East (the "company") is a not-for-profit organization of Alberta. Management has determined that they are exempt from payment of income tax under Section 149(1) of the Income Tax Act.

With the financial support of the Government of Canada, it provides loans and financial services to small businesses otherwise unable to obtain financing, delivers government services and programs related to employment and economic development, provides training and business advisory services, and contributes leadership and expertise in economic development to local communities.

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

#### Fund accounting

Community Futures Yellowhead East follows the restricted fund method of accounting for contributions.

The General Fund accounts for the organization's equity in capital assets, operating costs, operating grants and general revenues. This fund reports unrestricted resources and restricted operating grants. Included in the General Fund is the RRRF Operating Fund.

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

The Regional Relief and Recovery Fund (RRRF) reports restricted resources that are used to provide financial support directly to small-and-medium sized enterprises to address COVID-19 impacts on rural and remote communities. The organization is restricted in the loan applications that can be approved for the RRRF according to its agreement with the Government of Canada.

#### Recognition of Contributions

Federal contracts and grants are included in revenue in the year in which they are received or become receivable, with the exception that amounts received to fund specific expenditures are included in revenue in the year the funds are expended.

#### Recognition of other revenues

Revenue from all other sources is included in revenue in the year in which it is received or becomes receivable.

#### Contributed services

The organization would not be able to carry out its activities without the services of the many volunteers who donate a considerable number of hours. Because of the difficulty of compiling these hours, contributed services are not recognized in the financial statements.

#### Cash and cash equivalents

Cash and cash equivalents consist of balances with banks and short-term investments with banks.

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# COMMUNITY FUTURES YELLOWHEAD EAST

## Notes to Financial Statements

Year Ended March 31, 2021

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

Investment loans and accrued interest receivable

Investment loans receivable are classified as held to maturity financial instruments and are recorded at the lower of principal plus accrued interest and estimated realizable value.

Interest income from loans is recorded on the accrual basis for all loans not classified as impaired. Loans are classified as impaired when there is reasonable doubt as to the timely collection of some portion of principal or interest. This assessment is made by management and the Board of Directors.

When a loan is classified as impaired, recognition of interest income in accordance with the original loan agreement ceases. Any subsequent payments received on an impaired loan are applied to reduce the recorded investment in the loan.

Allowance for doubtful loans

The organization maintains an allowance for doubtful loans that reduces the carrying value of loans to their estimated realizable amount. The allowance is increased by a provision for investment losses which is charged to income and reduced by write-offs, net of recoveries.

The organization calculates the allowance for doubtful loans at 3% of the overall portfolio plus a specific allowance is established on an individual loan basis, to reduce the carrying book values to estimated realizable values. Estimated realizable values are determined by discounting the expected future cash flows at the effective interest rate inherent in the loans. When the amounts and timing of future cash flows cannot be reliably established, estimated realizable values are determined by reference to market prices for the loans of their underlying security.

Property and equipment

Property and equipment is stated at cost or deemed cost less accumulated amortization and is amortized over its estimated useful life on a declining balance basis at the following rates and methods:

Buildings	4%	declining balance method
Furniture and fixtures	20%	declining balance method
Computer Equipment	30%	declining balance method
Accum Amort - Computer Equipment	55%	declining balance method

Measurement uncertainty

The preparation of financial statements 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. Current estimates include allowance for doubtful accounts, allocation of expenses between funds, and depreciation of capital assets. 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.

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# COMMUNITY FUTURES YELLOWHEAD EAST

## Notes to Financial Statements

Year Ended March 31, 2021

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Financial Instruments Policy

##### Held for trading

The organization has classified the following financial assets and liabilities as held for trading: cash and short term investments. These instruments are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties.

Held for trading financial instruments are subsequently measured at their fair value. Gains and losses arising from changes in fair value are recognized immediately in net income.

##### Loans and receivables

The organization has classified the following financial assets as loans and receivables: trade accounts receivable and long term loans receivable. These assets are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties.

Loans and receivables are subsequently measured at their amortized cost, using the effective interest method. Under this method, estimated future cash receipts are exactly discounted over the asset's expected life, or other appropriate method, to its net carrying value. Amortized cost is the amount at which the financial asset is measured at initial recognition less principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount, and less any reduction for impairment or uncollectibility. Gains or losses arising from changes in fair value are recognized in net income from derecognition or impairment.

##### Other financial liabilities

The organization has classified the following financial liabilities as other financial liabilities: accounts payable and accruals. These liabilities are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Under this method, estimated future cash payments are exactly discounted over the liability's expected life, or other appropriate period, to its net carry value. Amortized cost is the amount at which the financial liability is measured at initial recognition less principal repayments, and plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount. Gains and losses arising from the changes in fair value are recognized in net income upon derecognition or impairment.

### 2. INTERFUND RECEIVABLE/PAYABLE

The interfund balances are of an operating nature and will be paid/repaid in the next fiscal year.

### 3. ACCRUED INTEREST RECEIVABLE

	Restricted Non- repayable	Restricted Repayable	Restricted Disabled	2021	2020
Interest in arrears	\$ 21,234	\$ 2,275	\$ -	\$ 23,509	\$ 8,827
Less: provision for loan losses	-	-	-	-	(7,547)
	<u>\$ 21,234</u>	<u>\$ 2,275</u>	<u>\$ -</u>	<u>\$ 23,509</u>	<u>\$ 1,280</u>

**COMMUNITY FUTURES YELLOWHEAD EAST**

**Notes to Financial Statements**

**Year Ended March 31, 2021**

4. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	<b>2021 Net book value</b>	2020 Net book value
Buildings	\$ 403,303	\$ 107,819	\$ <b>295,484</b>	\$ 307,796
Furniture and fixtures	60,795	59,623	<b>1,172</b>	1,490
Computer equipment	79,917	73,734	<b>6,183</b>	5,023
	<u>\$ 544,015</u>	<u>\$ 241,176</u>	<u>\$ <b>302,839</b></u>	<u>\$ 314,309</u>

5. ACCOUNTS PAYABLE

The accounts payable balance consists of:

	<u>2021</u>	<u>2020</u>
Payroll liabilities	\$ 7,132	\$ 3,674
Trade payables	<u>77,236</u>	<u>18,435</u>
	<u>\$ <b>84,368</b></u>	<u>\$ 22,109</u>

6. DEFERRED REVENUE

Deferred revenues represent the amount of the restricted contributions that are related to disbursements of future periods. These funds are disbursed in accordance with the signed grant agreements.

	<u>2021</u>	<u>2020</u>
Balance, beginning of the year	\$ 47,455	\$ 119,677
PLUS: Amounts received related to the following year	4,500	26,000
LESS: Amounts recognized as revenue in the year	<u>(47,455)</u>	<u>(98,222)</u>
	<u>\$ 4,500</u>	<u>\$ 47,455</u>

Deferred revenue consists of:

WEDC Core Funding	\$ -	\$ 24,580
Business Support Network	-	21,875
Career & Education Expo	<u>4,500</u>	<u>1,000</u>
	<u>\$ 4,500</u>	<u>\$ 47,455</u>

**COMMUNITY FUTURES YELLOWHEAD EAST**

**Notes to Financial Statements**

**Year Ended March 31, 2021**

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7. RELATED PARTY TRANSACTIONS

a) During the year, the Corporation entered into transactions with the following related parties:

Carol Webster, member of the board  
Leslie Penny, member of the board  
Judy Tracy, member of the board  
Pat Burns, member of the board  
Nick Gelych, member of the board  
Jim Hailes, member of the board  
Daryl Weber, member of the board  
Ray Hilts, member of the board  
John Burrows, member of the board  
Marvin Shatz, member of the board

b) The Corporation entered into the following transactions with related parties.

	<u>2021</u>	<u>2020</u>
<u>Travel per diem and expense reimbursements</u>		
Board members	<u>7,875</u>	<u>15,500</u>
Grand total	<u>\$ 7,875</u>	<u>\$ 15,500</u>

8. GENERAL FUND NET ASSETS

Included in the general fund net assets is \$302,839 (2020 - \$314,309) that is invested in capital assets.



# COMMUNITY FUTURES YELLOWHEAD EAST

## Notes to Financial Statements

Year Ended March 31, 2021

### 9. EXTERNALLY RESTRICTED ASSETS

Loan funds contributed by the government are classified as repayable, non-repayable and disabled according to the nature of the restrictions placed on their use and the term of the program for which they were advanced. Externally imposed restrictions on loan investment fund balances are as follows:

	<u>2021</u>	<u>2020</u>
Non-Repayable	\$ 1,608,003	\$ 1,489,323
Repayable	276,511	271,128
Disabled	64,005	64,005
Regional Relief and Recovery Fund	<u>2,308,778</u>	<u>-</u>
	<u>\$ 4,257,297</u>	<u>\$ 1,824,456</u>

Under the terms and conditions of the contribution agreement with the Department of Western Economic Diversification (WD), the Regional Relief and Recovery Fund (RRRF) is fully repayable upon the repayment of loans from small-and-medium sized enterprises, or when RRRF loan funds remain undisbursed and are requested to be returned by WD.

Under the terms and conditions of the contribution agreement with the Department of Western Economic Diversification, loan investment funds include Conditionally Repayable Funds in the amount of \$600,000 that are repayable if any of the following conditions occur:

- a) The Conditionally Repayable Investment fund is not administered according to the terms and conditions specified in the Agreement; or
- b) Based on review and evaluations of the operations and the Conditionally Repayable Investment Fund of the organization, 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
- c) 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
- d) The Agreement is terminated as described in Section 12 of the Agreement; or
- e) An event of default occurs as described in Section 7 of the Agreement; or
- f) The Minister does not approve terms and conditions to extend the project beyond March 31, 2021.
- g) If this agreement is not renewed beyond the March 31, 2021 ending date, the outstanding loans receivable would be liquidated in an orderly fashion over a period of 3 to 5 years. Minimal staff would be kept on to oversee this process and operational costs would have to be covered by the interest earned by the loans as the Department of Western Economic Diversification would no longer fund operational costs. No new loans receivable would be granted and no other projects would be initiated.

This year Community Futures Yellohead East did not meet all the requirements set out by the Department of Western Economic Diversification. The Department of Western Economic Diversification is aware of this and they are not requiring the \$600,000 to be repaid. However, they reserve the right to withdraw the funds.

### 10. ECONOMIC DEPENDENCE

The organization receives a significant portion of its operating revenues from the Federal and Provincial governments and is economically dependent upon them.

# COMMUNITY FUTURES YELLOWHEAD EAST

## Notes to Financial Statements

Year Ended March 31, 2021

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### 11. COMMITMENTS

As at March 31, 2021, all loan investment applications, that were approved by the Board of Directors, were drawn upon with the exception of \$40,000 which is yet to be advanced.

Subsequent to March 31, 2021, loans of \$40,000 were approved under the Regional Relief and Recovery Fund which has yet to be advanced.

### 12. EXCEPTIONAL ITEM

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.

As at March 31, 2021, the company is aware of changes in its operations as a result of the COVID-19 crisis.

Management is uncertain of the effects of these changes on its financial statements and believes that any disturbance may be temporary; however, there is uncertainty about the length and potential impact of the disturbance.

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

### 13. EXTERNAL NON-WD INVESTMENT FUND POOL

Community Futures Yellowhead East, (formerly YEBDC, Yellowhead East Business Development Corporation) was part of an employment economic development contract project with Social Services in the 1980's that hired and trained individuals on unemployment, so they could gain valuable work skills as well as employment. Social Services referred the individuals and CFYE started a business model where unemployed individuals could receive vital skills training through local business partnerships, often producing goods for sale. YEBDC then re-sold the inventory that was built with the business partners.

When funding for the project from Social Services ended, the project was ceased. YEBDC was the recipient of the assets remaining from the project, both cash and inventory. The cash, along with the proceeds from the inventory has been maintained in an investment with the intention to have reserve funds, should the government funding through Western Diversification ever end for the CFYE program.

The board's intent of for these additional investment funds, is to maintain a minimum of 2 years operating capital. The board also intends to take various opportunities to invest in different projects as they determine a benefit the entire CFYE region. These funds are not part of the Western Diversification funds that are accounted for through regular WD reporting and as such are considered non-restricted funds.

### 14. GENERAL FUND INTERNAL RESTRICTIONS

Included in the General Fund is the following amounts which have been internally restricted by the Board of Directors for the following initiatives:

	<u>2021</u>	<u>2020</u>
- Youth Student Loan Project	\$100,000	\$ -
- Regional Resilience & Diversification Initiative	\$ 50,000	\$ -

# COMMUNITY FUTURES YELLOWHEAD EAST

## Notes to Financial Statements

Year Ended March 31, 2021

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### 15. 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, 2021.

#### *(a) Credit risk*

The company is exposed to credit risk on investment loans receivable from its applicants. In order to reduce its credit risk, the company has adopted credit policies and all loans are approved by the Board of Directors. The organization also provides for doubtful accounts based on estimated realizable value of the investment loans receivable.

#### *(b) 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, obligations under capital leases, contributions to the pension plan, and accounts payable.

#### *(c) 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 normal operating and financing activities. The organization is exposed to interest rate risk primarily through its floating interest rate on short-term debt.

#### *(d) Changes in Risk*

There have been no changes in the organization's risk exposures from the prior year

**COMMUNITY FUTURES YELLOWHEAD EAST**

**Notes to Financial Statements**

**Year Ended March 31, 2021**

16. INVESTMENT LOANS RECEIVABLE

	Restricted Non-repayable	Restricted Repayable	Restricted Disabled	RRRF	2021	2020
Loans Receivable	\$ 584,813	\$ 50,995	\$ -	\$ 2,080,278	\$ 2,716,086	\$ 632,780
Less: allowance for loan impairment	(17,544)	(1,530)	-	-	(19,074)	(79,126)
Less: current portion	(113,247)	(10,965)	-	-	(124,212)	(123,355)
	<u>\$ 454,022</u>	<u>\$ 38,500</u>	<u>\$ -</u>	<u>\$ 2,080,278</u>	<u>\$ 2,572,800</u>	<u>\$ 430,299</u>

An allowance for impairment 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:

**ALLOWANCE FOR LOAN IMPAIRMENT**

Balance, beginning of the year	\$ (79,126)	\$ -	\$ -	\$ -	\$ (79,126)	\$ (103,926)
Recovery/(provision) for loan losses	44,803	(1,530)	-	-	43,273	(231,898)
Amounts written off to the allowance	16,779	-	-	-	16,779	256,698
<b>Balance at end of year</b>	<u>\$ (17,544)</u>	<u>\$ (1,530)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (19,074)</u>	<u>\$ (79,126)</u>
<b>Total recorded investment on impaired loans</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 141,473</u>

In accordance with the Corporation's objectives, the Corporation has provided loans to small businesses. Outstanding loans to entrepreneurs are interest bearing at fixed rates varying from 0.0% to 9.7% per annum with monthly blended principal and interest repayments amortized for terms between 12 and 120 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 property.

**COMMUNITY FUTURES YELLOWHEAD EAST****RRRF Statement of Financial Position***(Schedule 1)***Year Ended March 31, 2021**

	RRRF Operational 2021	RRRF Fund 2021	Total 2021
<b>ASSETS</b>			
Loan receivable	\$ -	\$ 2,080,278	\$ 2,080,278
Interfund receivable	35,442	228,500	263,942
<b>TOTAL ASSETS</b>	<b>\$ 35,442</b>	<b>\$ 2,308,778</b>	<b>\$ 2,344,220</b>
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 35,442	\$ -	\$ 35,442
<b>NET ASSETS</b>			
Contributions during the year	\$ -	\$ 2,308,778	\$ 2,308,778
Excess of revenues over expenses	-	-	-
<b>TOTAL NET ASSETS</b>	<b>\$ -</b>	<b>\$ 2,308,778</b>	<b>\$ 2,308,778</b>

See notes to financial statements

**COMMUNITY FUTURES YELLOWHEAD EAST****RRRF Statement of Revenue and Expenditures***(Schedule 2)***Year Ended March 31, 2021**

	RRRF Operating 2021	RRRF Fund 2021	Total 2021
<b>REVENUES</b>	<b>\$ 66,579</b>	<b>\$ -</b>	<b>\$ 66,579</b>
<b>EXPENDITURES</b>			
Salaries and wages	21,201	-	<b>21,201</b>
Office	19,407	-	<b>19,407</b>
Advertising and promotion	13,227	-	<b>13,227</b>
Programs	11,076	-	<b>11,076</b>
Training	1,308	-	<b>1,308</b>
Utilities	240	-	<b>240</b>
Travel	120	-	<b>120</b>
<b>TOTAL EXPENDITURES</b>	<b>66,579</b>	<b>-</b>	<b>66,579</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES FROM OPERATIONS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**COMMUNITY FUTURES YELLOWHEAD EAST**  
**Statement of Program Revenues and Expenditures**  
**Year Ended March 31, 2021**

*(Schedule 3)*

	2021	2020
<b>REVENUES</b>		
Rural opportunities fund	\$ 66,580	\$ -
Project/sponsorship	24,910	12,179
Business support network	21,875	33,209
Contract	3,790	900
General	225	5,483
Training revenue	200	-
CARES grant	-	42,400
Small business week	-	29,637
Career and education expo	-	25,851
	<u>117,580</u>	<u>149,659</u>
<b>EXPENDITURES</b>		
Contract Expenses	94,454	76,800
Project Expenses	4,976	7,516
Business support network	4,000	19,873
Career and education expo	1,500	16,366
Small business week	1	29,637
OH&S Expenses	-	5,000
	<u>104,931</u>	<u>155,192</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ 12,649</u>	<u>\$ (5,533)</u>