

COMMUNITY FUTURES YELLOWHEAD EAST

Financial Statements

Year Ended March 31, 2020

COMMUNITY FUTURES YELLOWHEAD EAST

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Year Ended March 31, 2020

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INDEPENDENT AUDITOR'S REPORT

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, 2020, and the statements of revenues and expenditures, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2020, 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.

Carlson Roberts Seely LLP.

Drayton Valley, Alberta
June 18, 2020

CHARTERED PROFESSIONAL ACCOUNTANTS

COMMUNITY FUTURES YELLOWHEAD EAST
Statement of Financial Position
March 31, 2020

	General Fund	Restricted Non-repayable	Restricted Repayable	Restricted Disabled	2020	2019
ASSETS						
CURRENT						
Cash	\$ 402,435	\$ 1,352,972	\$ 35,254	\$ 169,397	\$ 1,960,058	\$ 1,840,712
Marketable securities	797,516	-	-	-	797,516	830,615
Accounts receivable	371	-	-	1,050	1,421	-
Goods and services tax recoverable	4,228	-	-	-	4,228	-
Prepaid expenses	4,389	-	-	-	4,389	4,795
Accrued interest receivable (Note 4)	-	-	1,280	-	1,280	10,298
Current portion of investment loans receivable (Note 6)	-	92,579	30,776	-	123,355	251,821
Interfund receivable (Note 3)	289,151	-	-	-	289,151	236,340
	1,498,090	1,445,551	67,310	170,447	3,181,398	3,174,581
PROPERTY, PLANT AND EQUIPMENT (Net of accumulated amortization) (Note 5)						
	314,309	-	-	-	314,309	324,589
LOANS AND NOTES RECEIVABLE (Note 6)						
	-	226,081	204,218	-	430,299	703,358
	\$ 1,812,399	\$ 1,671,632	\$ 271,528	\$ 170,447	\$ 3,926,006	\$ 4,202,528

See notes to financial statements

COMMUNITY FUTURES YELLOWHEAD EAST

Statement of Financial Position

March 31, 2020

	General Fund	Restricted Non-repayable	Restricted Repayable	Restricted Disabled	2020	2019
LIABILITIES AND NET ASSETS						
CURRENT						
Accounts payable (Note 7)	\$ 22,109	\$ -	\$ -	\$ -	\$ 22,109	\$ 21,309
Deferred income (Note 8)	47,455	-	-	-	47,455	119,677
Interfund payable (Note 3)	-	182,309	400	106,442	289,151	236,338
	69,564	182,309	400	106,442	358,715	377,324
NET ASSETS						
Share capital	1	-	-	-	1	1
Net assets (Notes 10, 11)	1,742,834	1,489,323	271,128	64,005	3,567,290	3,825,203
	1,742,835	1,489,323	271,128	64,005	3,567,291	3,825,204
	\$ 1,812,399	\$ 1,671,632	\$ 271,528	\$ 170,447	\$ 3,926,006	\$ 4,202,528

ON BEHALF OF THE BOARD

Director

Director

See notes to financial statements

COMMUNITY FUTURES YELLOWHEAD EAST**Statement of Revenues and Expenditures****Year Ended March 31, 2020**

	Total 2020	Total 2019
REVENUES		
WEDC Core Funding	\$ 294,963	\$ 294,963
Project/Sponsorship (Schedule 3)	149,659	76,594
Interest income	75,983	109,954
Portfolio recovery	15,843	-
Interest from other sources	14,458	1,480
Loan fees	8,519	29,205
Rental income	6,600	6,600
Training revenues	-	10,000
Consulting fee	-	2,100
	<u>566,025</u>	<u>530,896</u>
EXPENSES		
Salaries and wages	212,421	225,618
Programs (Schedule 3)	155,193	71,328
Provision for investment loss	239,107	14,290
Professional fees	33,243	29,456
Board expenses	25,260	25,526
Office	18,275	17,645
Portfolio recovery expense	15,843	23,920
Insurance	13,800	7,716
Travel	10,067	18,432
Utilities	9,798	11,534
Repairs and maintenance	8,038	4,694
Advertising and promotion	7,747	10,478
Training	7,089	28,986
Property taxes	5,672	3,272
Rental	4,165	8,173
Interest and bank charges	2,553	2,269
Meals and entertainment	2,519	6,390
Amortization	15,620	14,669
	<u>786,410</u>	<u>524,396</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES FROM OPERATIONS	(220,385)	6,500
OTHER INCOME		
Unrealized gain on marketable securities	<u>(37,528)</u>	<u>8,290</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ (257,913)	\$ 14,790

See notes to financial statements

COMMUNITY FUTURES YELLOWHEAD EAST

Statement of Changes in Net Assets

Year Ended March 31, 2020

	General Fund	Restricted Non-repayable	Restricted Repayable	Restricted Disabled	Total 2020	Total 2019
NET ASSETS - BEGINNING OF YEAR						
Deficiency of revenues over expenses	\$ 1,836,085	\$ 1,668,438	\$ 256,670	\$ 64,010	\$ 3,825,203	\$ 3,810,413
Interest transfer	(103,107)	(169,259)	14,458	(5)	(257,913)	14,790
	9,856	(9,856)	-	-	-	-
NET ASSETS - END OF YEAR	\$ 1,742,834	\$ 1,489,323	\$ 271,128	\$ 64,005	\$ 3,567,290	\$ 3,825,203

Breakdown of Net Assets

Year Ended March 31, 2020

	General Fund	Restricted Non-repayable	Restricted Repayable	Restricted Disabled	Total 2020	Total 2019
Original contributions	\$ -	\$ 1,550,000	\$ 400,000	\$ 200,000	\$ 2,150,000	\$ 2,150,000
Earned net assets	1,742,834	(60,677)	(128,872)	(135,995)	1,417,290	1,675,203
	\$ 1,742,834	\$ 1,489,323	\$ 271,128	\$ 64,005	\$ 3,567,290	\$ 3,825,203

See notes to financial statements

COMMUNITY FUTURES YELLOWHEAD EAST

Statement of Cash Flows

Year Ended March 31, 2020

	General Fund	Restricted Non-repayable	Restricted Repayable	Restricted Disabled	2020	2019
OPERATING ACTIVITIES						
Excess (deficiency) of revenues over expenses	\$ (103,107)	\$ (169,259)	\$ 14,458	\$ (5)	\$ (257,913)	\$ 14,790
Items not affecting cash:						
Amortization of property and equipment	15,620	-	-	-	15,620	14,669
Gain/(losses) on marketable securities	37,528	-	-	-	37,528	(8,290)
Provision for investment loss		239,107	-	-	239,107	14,290
	(49,959)	69,848	14,458	(5)	34,342	35,459
Changes in non-cash working capital:						
Accounts receivable	(371)	-	-	(1,050)	(1,421)	1,014
Accounts payable	800	-	-	-	800	17,915
Deferred income	(72,222)	-	-	-	(72,222)	101,546
Prepaid expenses	406	-	-	-	406	(4,795)
Goods and services tax payable	(4,228)	-	-	-	(4,228)	-
Interfund receivable	(79,592)	-	-	-	(79,592)	111,168
Accrued interest and loan fees receivable	-	(8,268)	(1,279)	-	(9,547)	(11,109)
Interfund payable	-	53,463	27,181	(1,050)	79,594	(111,168)
Interest Transfer	9,856	(9,856)	-	-	-	-
	(145,351)	35,339	25,902	(2,100)	(86,210)	104,571
Cash flow from (used by) operating activities	(195,310)	105,187	40,360	(2,105)	(51,868)	140,030
INVESTING ACTIVITIES						
Purchase of property and equipment	(5,341)	-	-	-	(5,341)	(1,790)
Recoveries on loans and notes receivable	-	11,357	-	-	11,357	-

(continues)

See notes to financial statements

COMMUNITY FUTURES YELLOWHEAD EAST

Statement of Cash Flows (continued)

Year Ended March 31, 2020

	General Fund	Restricted Non-repayable	Restricted Repayable	Restricted Disabled	2020	2019
Repayment of loans and notes receivable	-	508,714	21,339	-	530,053	527,996
Addition to loans and notes receivable	-	(104,093)	(256,333)	-	(360,426)	(250,374)
Proceeds from sale (purchase) of marketable securities	(4,428)	-	-	-	(4,428)	-
Cash flow from (used by) investing activities	(9,769)	415,978	(234,994)	-	171,215	275,832
INCREASE (DECREASE) IN CASH FLOW	(205,079)	521,165	(194,634)	(2,105)	119,347	415,862
Cash - beginning of year	607,514	831,807	229,889	171,502	1,840,712	1,424,850
CASH - END OF YEAR	\$ 402,435	\$ 1,352,972	\$ 35,254	\$ 169,397	\$ 1,960,058	\$ 1,840,712

See notes to financial statements

COMMUNITY FUTURES YELLOWHEAD EAST

Notes to Financial Statements

Year Ended March 31, 2020

1. PURPOSE OF THE COMPANY

Community Futures Yellowhead East (the "organization") is a not-for-profit organization incorporated provincially under the Not-for-profit Corporations Act 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

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

Fund accounting

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

The General Fund accounts for the organization's operating costs, operating grants 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. The organization is restricted in the types of loans that can be made 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, 2020

2. 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.

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 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, 2020

2. 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.

3. INTERFUND RECEIVABLE/PAYABLE

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

4. ACCRUED INTEREST RECEIVABLE

	Restricted Non-repayable	Restricted Repayable	Restricted Disabled	2020	2019
Interest in arrears	\$ 7,547	\$ 1,280	\$ -	\$ 8,827	\$ 50,350
Less: provision for loan losses	(7,547)	-	-	(7,547)	(40,052)
	\$ -	\$ 1,280	\$ -	\$ 1,280	\$ 10,298

COMMUNITY FUTURES YELLOWHEAD EAST

Notes to Financial Statements

Year Ended March 31, 2020

5. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Buildings	\$ 403,303	\$ 95,507	\$ 307,796	\$ 320,621
Furniture and fixtures	60,795	59,305	1,490	1,830
Computer equipment	74,709	69,686	5,023	2,138
	<u>\$ 538,807</u>	<u>\$ 224,498</u>	<u>\$ 314,309</u>	<u>\$ 324,589</u>

6. INVESTMENT LOANS RECEIVABLE

	Restricted Non- repayable	Restricted Repayable	Restricted Disabled	2020	2019
Loans Receivable	\$ 397,786	\$ 234,994	\$ -	\$ 632,780	\$ 1,059,105
Less: allowance for loan impairment	(79,126)	-	-	(79,126)	(103,926)
Less: current portion	(92,579)	(30,776)	-	(123,355)	(251,821)
	<u>\$ 226,081</u>	<u>\$ 204,218</u>	<u>\$ -</u>	<u>\$ 430,299</u>	<u>\$ 703,358</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 year	\$ (103,926)	\$ -	\$ -	\$ (103,926)	\$ (266,576)
Provision for loan losses	(231,898)	-	-	(231,898)	7,294
Amounts written off to the allowance	256,698	-	-	256,698	155,356
Balance at end of year	<u>\$ (79,126)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (79,126)</u>	<u>\$ (103,926)</u>
Total recorded investment on impaired loans	<u>\$ 141,473</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 141,473</u>	<u>\$ 223,081</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

Notes to Financial Statements

Year Ended March 31, 2020

7. ACCOUNTS PAYABLE

The accounts payable balance consists of:

	2020	2019
Payroll liabilities	\$ 3,674	\$ 7,357
Trade payables	18,435	13,952
	<u>\$ 22,109</u>	<u>\$ 21,309</u>

8. 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.

	2020	2019
Balance, beginning of the year	\$ 119,677	\$ 18,131
PLUS: Amounts received related to the following year	26,000	213,959
LESS: Amounts recognized as revenue in the year	(98,222)	(112,413)
	<u>\$ 47,455</u>	<u>\$ 119,677</u>

Deferred revenue consists of:

WEDC Core Funding	\$ 24,580	\$ 24,580
Business Support Network	21,875	25,664
Career & Education Expo	1,000	13,451
Small Business Week	-	13,582
CARES Grant	-	42,400
	<u>\$ 47,455</u>	<u>\$ 119,677</u>

COMMUNITY FUTURES YELLOWHEAD EAST

Notes to Financial Statements

Year Ended March 31, 2020

9. 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>2020</u>	<u>2019</u>
<u>Travel per diem and expense reimbursements</u>		
Board members	<u>15,500</u>	<u>22,122</u>
Grand total	<u>\$ 15,500</u>	<u>\$ 22,122</u>

10. GENERAL FUND NET ASSETS

Included in the general fund net assets is \$314,309 (2019 - \$324,589) that is invested in capital assets.

COMMUNITY FUTURES YELLOWHEAD EAST

Notes to Financial Statements

Year Ended March 31, 2020

11. 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:

	2020	2019
Non-Repayable	\$ 1,489,323	\$ 1,668,438
Repayable	271,128	256,670
Disabled	64,005	64,010
	<u>\$ 1,824,456</u>	<u>\$ 1,989,118</u>

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:

- The Conditionally Repayable Investment fund is not administered according to the terms and conditions specified in the Agreement; or
- 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
- 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
- The Agreement is terminated as described in Section 12 of the Agreement; or
- An event of default occurs as described in Section 7 of the Agreement; or
- The Minister does not approve terms and conditions to extend the project beyond March 31, 2021.
- 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.

12. 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, 2020

13. EXTRAORDINARY ITEM

Since December 31, 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilise economic conditions. Events that have occurred since are as follows:

- On March 11, 2020, the COVID-19 outbreak was declared a global pandemic by the World Health Organization
- On March 27, 2020, the Province of Alberta declared a public health emergency.
- On March 12, 2020, Community Futures Yellowhead East deferred all loan payments with no accruing interest for the months of April – June 2020.
- On May 13, 2020, Western Economic Diversification Canada announced that the new Regional Relief and Recovery Fund will be delivered via Community Futures across Western Canada to rural businesses that have not qualified for other federal government funding supports.

The estimated impact of payment deferrals for three months has been reflected in the current portion of loans receivable in these financial statements. However, it is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the corporation for future periods beyond three months.

This disclosure assumes there is no significant doubt about the entity's ability to continue as a going concern.

COMMUNITY FUTURES YELLOWHEAD EAST

Notes to Financial Statements

Year Ended March 31, 2020

14. FINANCIAL INSTRUMENTS

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

(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
Statement of General Fund Revenues and Expenses
(Schedule 1)
Year Ended March 31, 2020

	2020	2019
REVENUE		
WEDC Core Funding	\$ 294,963	\$ 294,963
Other contracts (Schedule 3)	149,659	76,594
Interest income	19,366	17,350
Loan fees	8,519	29,205
Rental income	6,600	6,600
Training revenues	-	10,000
Consulting fees	-	2,100
Gain/(losses) on marketable securities	(37,528)	8,290
	<u>441,579</u>	<u>445,102</u>
EXPENSES		
Salaries and wages	212,421	225,618
Programs (Schedule 3)	155,193	71,328
Professional fees	33,243	29,456
Board expenses	25,260	25,526
Office	18,275	17,412
Insurance	13,800	7,716
Provision for fee losses	13,237	-
Travel	10,067	18,432
Utilities	9,798	11,534
Repairs and maintenance	8,038	4,694
Advertising and promotion	7,747	10,478
Training	7,089	28,986
Property taxes	5,672	3,272
Rental	4,165	8,173
Interest and bank charges	2,542	1,979
Meals	2,519	6,390
Amortization	15,620	14,669
	<u>544,686</u>	<u>485,663</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	<u>\$ (103,107)</u>	<u>\$ (40,561)</u>

COMMUNITY FUTURES YELLOWHEAD EAST
Statement of Loan Investment Fund Revenues and Expenses
Year Ended March 31, 2020
(Schedule 2)

	Restricted Non-repayable	Restricted Repayable	Restricted Disabled	2020 Total	2019 Total
REVENUE					
Interest income	\$ 56,617	\$ -	\$ -	\$ 56,617	\$ 92,604
Interest from other sources	-	14,458	-	14,458	1,480
Legal Fee Revenue	15,843	-	-	15,843	-
	72,460	14,458	-	86,918	94,084
EXPENSES					
Portfolio recovery expense	15,843	-	-	15,843	23,713
Provision for investment loss	225,869	-	-	225,869	14,290
Office	-	-	-	-	439
Interest and bank charges	7	-	5	12	291
	241,719	-	5	241,724	38,733
EXCESS OF REVENUES OVER EXPENSES	\$ (169,259)	\$ 14,458	\$ (5)	\$ (154,806)	\$ 55,351

See notes to financial statements

COMMUNITY FUTURES YELLOWHEAD EAST**Statement of Program Revenues and Expenses***(Schedule 3)***Year Ended March 31, 2020**

	2020	2019
REVENUES		
CARES grant	\$ 42,400	\$ -
Business support network	33,209	30,220
Small business week	29,637	22,184
Career and education expo	25,851	8,829
Project/Sponsorship	12,179	-
General	5,483	11,911
Contract	900	-
Government grant	-	3,000
Service	-	450
	<u>149,659</u>	<u>76,594</u>
EXPENSES		
Contract Expenses	76,800	7,006
Small business week	29,638	10,244
Business support network	19,873	25,180
Career and education expo	16,366	20,769
Project Expenses	7,516	-
OH&S Expenses	5,000	-
Speaker fees	-	5,041
Business services expense	-	3,088
	<u>155,193</u>	<u>71,328</u>
INCOME (LOSS) FROM OPERATIONS	<u>\$ (5,534)</u>	<u>\$ 5,266</u>