

COMMUNITY FUTURES SOUTHWEST INC.

FINANCIAL STATEMENTS

MARCH 31, 2021

COMMUNITY FUTURES SOUTHWEST INC.

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INDEPENDENT AUDITOR'S REPORT

To the Directors of Community Futures Southwest Inc.:

Opinion

We have audited the financial statements of Community Futures Southwest Inc., which comprise the statement of financial position as at March 31, 2021, and the statements of operations and fund balances (general and restricted) and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2021, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with 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 these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the organization or to cease operations, or has no realistic alternative but to do so.

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

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.

INDEPENDENT AUDITOR'S REPORT (continued)

Auditor's Responsibility for the Audit of the Financial Statements (continued)

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.


CPA LLP
Chartered Professional Accountants

Swift Current, Saskatchewan
June 14, 2021

COMMUNITY FUTURES SOUTHWEST INC.

STATEMENT OF FINANCIAL POSITION

As at March 31, 2021

	WD Operating Fund	WD RRRF Operating Fund	WD Non- repayable Investment Fund	WD Conditionally Repayable Investment Fund	WD Conditionally Repayable EDP Fund	RRRF Investment Fund	2021	2020
ASSETS								
Current								
Cash	\$ 6,831	-	505,426	91,297	1,063	240,055	844,672	\$ 982,059
Temporary investments (Note 3)	-	-	256,197	146,939	154,824	-	557,960	306,968
Accounts receivable	1,646	-	11,320	1,052	-	-	14,018	14,781
Accrued loan interest receivable	-	-	139,701	99,893	-	-	239,594	250,964
Prepaid expenses	14,298	-	-	-	-	-	14,298	6,698
Inter-fund receivable (payable)	430	(430)	-	-	-	-	-	-
	23,205	(430)	912,644	339,181	155,887	240,055	1,670,542	1,561,470
Other Assets								
Co-operative equity	356	-	-	-	-	-	356	356
Investments (Note 4)	-	-	403,182	100,000	50,000	-	553,182	103,182
Loans receivable (Note 5)	-	-	820,100	378,080	-	680,000	1,878,180	1,709,588
Total Assets	\$ 23,561	(430)	2,135,926	817,261	205,887	920,055	4,102,260	\$ 3,374,596
LIABILITIES AND FUND BALANCES								
Current liabilities								
Accounts payable and accruals	\$ -	-	-	1,052	-	-	1,052	\$ 2,041
Deferred revenue (Note 7)	-	-	-	-	-	-	-	24,106
Current portion of long-term debt (Note 6)	-	-	-	-	-	240,000	240,000	-
	-	-	-	1,052	-	240,000	241,052	26,147
Long-term Debt (Note 6)	-	-	-	400,000	200,000	680,000	1,280,000	600,000
Fund Balances	23,561	(430)	2,135,926	416,209	5,887	55	2,581,208	2,748,449
Total Liabilities and Fund Balances	\$ 23,561	(430)	2,135,926	817,261	205,887	920,055	4,102,260	\$ 3,374,596

Approved on behalf of the Board

Director

Director

The accompanying notes are an integral part of these financial statements

COMMUNITY FUTURES SOUTHWEST INC.

STATEMENT OF OPERATIONS AND CHANGES IN WD OPERATING FUND BALANCES
For the year ended March 31, 2021

	WD Operating Fund		
	2021 Budget	2021	2020
	(Unaudited)		
Revenue			
Western Economic Diversification funding	\$ 297,669	297,741	\$ 297,669
Rural Opportunities Fund (ROF) grant	-	25,496	-
Other	3,000	-	4,251
Interest	800	651	2,326
	<u>301,469</u>	<u>323,888</u>	<u>304,246</u>
Expenses			
Administration			
Advertising and promotion	10,050	7,228	5,283
Client training	-	359	-
Conference	8,000	200	3,421
Contract services	3,000	6,778	4,943
Insurance and pension costs	29,812	23,012	22,110
Interest and bank charges	1,000	1,562	2,086
Maintenance and software support	3,200	3,914	4,873
Non-refundable GST	1,500	1,288	1,480
Office supplies and equipment	9,850	8,974	16,451
Project	24,000	35,790	29,176
Rent	13,000	34,454	11,913
Rural Opportunities Fund (ROF) project	-	50,496	-
Telephone	7,200	6,855	6,960
Travel	21,000	1,247	14,668
Professional fees	20,502	16,855	12,735
Salaries and benefits	149,356	139,154	136,971
	<u>301,470</u>	<u>338,166</u>	<u>273,070</u>
(Deficiency) excess of revenue over expenses	(1)	(14,278)	31,176
Fund balances, beginning of the year, WD Operating Fund	-	35,293	1,259
Interfund transfers - Note 10	-	2,546	2,858
Fund balances, end of the year	<u>\$ (1)</u>	<u>\$ 23,561</u>	<u>\$ 35,293</u>

The accompanying notes are an integral part of these financial statements

COMMUNITY FUTURES SOUTHWEST INC.

STATEMENT OF OPERATIONS AND CHANGES IN RESTRICTED FUND BALANCES

For the year ended March 31, 2021

	WD RRRF Operating Fund	WD Non-repayable Investment Fund	WD Conditionally Repayable Investment Fund	WD Conditionally Repayable EDP Fund	RRRF Investment Fund	2021	2020
Revenue							
Interest	\$ -	66,675	37,726	366	61	104,828	\$ 149,917
Administration fees	68,500	-	-	-	-	68,500	6,553
Loan impairment recovery	-	6,246	-	-	-	6,246	-
	68,500	72,921	37,726	366	61	179,574	156,470
Expenses							
Advertising	468	-	-	-	-	468	-
Bank charges and interest	23	6	-	-	6	35	306
Contract services	12,872	-	-	-	-	12,872	-
Loan impairment provision (Note 5)	-	111,397	139,094	7,438	-	257,929	255,991
Office supplies and equipment	8,194	-	-	-	-	8,194	-
Professional fees	-	-	2,805	2,861	-	5,666	-
Project	35,286	-	-	-	-	35,286	-
Relocation	9,593	-	-	-	-	9,593	-
Training	2,494	-	-	-	-	2,494	-
	68,930	111,403	141,899	10,299	6	332,537	256,297
(Deficiency) excess of revenue over expenses	(430)	(38,482)	(104,173)	(9,933)	55	(152,963)	(99,827)
Fund balances, beginning of the year	-	2,179,815	520,382	12,959	-	2,713,156	2,815,841
Interest transfers	-	-	-	-	-	-	-
Interfund transfers - Note 10	-	(5,407)	-	2,861	-	(2,546)	(2,858)
Fund balances, end of the year	\$ (430)	2,135,926	416,209	5,887	55	2,557,647	\$ 2,713,156

The accompanying notes are an integral part of these financial statements

COMMUNITY FUTURES SOUTHWEST INC.

STATEMENT OF CASH FLOWS

For the year ended March 31, 2021

	<u>2021</u>	<u>2020</u>
Cash provided by operations		
Excess of revenues over expenses	\$ (167,241)	\$ (68,651)
Loan loss provision not affecting cash	257,929	256,253
	<hr/>	<hr/>
Changes in working capital accounts		
Marketable securities	(250,992)	(30,813)
Accounts receivable	763	(202)
Accrued loan interest receivable	11,370	(27,173)
Prepaid expenses	(7,600)	(3,780)
Accounts payable and accruals	(989)	(1,070)
Deferred revenue	(24,106)	24,106
	<hr/>	<hr/>
	(180,866)	148,670
Cash provided by investment activities		
Loans advanced	(895,048)	(201,175)
Loans repaid	468,527	460,538
Disposal (purchase) of investments	(450,000)	90,000
	<hr/>	<hr/>
	(876,521)	349,363
Cash provided by financing activities		
Loan term debt proceeds	920,000	-
	<hr/>	<hr/>
	920,000	-
Net increase (decrease) in cash	<hr/>	<hr/>
	(137,387)	498,033
Cash, beginning of year	<hr/>	<hr/>
	982,059	484,026
Cash, end of year	<hr/>	<hr/>
	\$ 844,672	\$ 982,059

The accompanying notes are an integral part of these financial statements

COMMUNITY FUTURES SOUTHWEST INC.

NOTES TO FINANCIAL STATEMENTS

As at March 31, 2021

1. Purpose

The Community Futures Southwest Inc. 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 as a non-profit organization and is exempt from income taxes under the Income Tax Act.

2. Significant Accounting Policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

a) Fund Accounting

The accounts of the organization are maintained in accordance with the principles of fund accounting. For financial reporting purposes, accounts with similar characteristics have been combined into the following major funds:

i) Operating fund

The operating fund reflects the primary operations of the organization including revenues received and operating costs.

ii) Restricted fund

The restricted funds report resources 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 it can issue according to its agreement with the federal government.

b) Cash and Cash Equivalents

Cash and cash equivalents include balances with banks and short-term investment with maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

c) Measurement of Financial Instruments

The organization initially measures its financial assets and liabilities at fair value. Unless otherwise noted, the organization subsequently measures all its financial asset and financial liabilities at cost or amortized cost.

Financial assets measured at amortized cost on a straight-line basis include cash, accounts receivable and loan receivables. Financial liabilities measured at amortized cost on a straight-line basis include accounts payable and long-term debt.

Money market funds are recorded at fair value, all other investments are recorded at cost.

d) Revenue

The organization follows the restricted fund method of accounting for contributions. Unrestricted fees, funds from the Western Economic Diversification Canada for capital purposes and for general operations are recorded as revenue in general fund in the year received or receivable. Interests from temporary investments and loan advance are recorded as revenue in appropriate fund in the year when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

COMMUNITY FUTURES SOUTHWEST INC.

NOTES TO FINANCIAL STATEMENTS

As at March 31, 2021

2. Significant Accounting Policies (Continued)

e) Capital Assets

Purchased capital assets are charged against current year income. Upon dissolution of the organization, all property is to be distributed to other Community Futures Development Corporations or other non-profit organizations approved by the Western Economic Diversification Canada.

f) Use of Estimates

The preparation of the financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period then ended. Actual results could differ from those estimates. Significant areas requiring the use of management estimates relate to the determination of the collectible amount of accounts receivable and loan receivables.

3. Temporary investments

Temporary investments include the following:

	2021	2020
Money market funds	\$ 557,960	\$ 306,968

4. Investments

Investments - preferred shares
Guaranteed investment certificates

	2021	2020
Investments - preferred shares	\$ 103,182	\$ 103,182
Guaranteed investment certificates	450,000	-
	\$ 553,182	\$ 103,182

Investments - preferred shares include Great Sandhills Railway Ltd. - \$55,182 (2020 - \$55,182) and Blue Goose Biorefineries Ltd. - \$48,000 (2020 - \$48,000). These shares are redeemable on demand or may be converted to an Investment Loan.

5. Loans Receivable

Advances from the investment funds represent the outstanding principal on advances to new or expanding businesses under the Investment Fund Agreement with Western Economic Diversification. The notes bear interest at prime plus 3% to prime plus 6%. Security can take the form of personal guarantees, personal property security agreements, chattels, a combination of both or the issuance of preferred shares.

	Current portion - loan receivable	Non-current loans receivable	Less: allowance for doubtful	2021	2020
WD Non-repayable Investment Fund	\$ 620,135	411,100	(211,135)	820,100	\$ 1,110,751
WD Conditionally Repayable Investment Fund	348,736	168,438	(139,094)	378,080	538,837
WD Conditionally Repayable EDP Fund	-	-	-	-	60,000
RRRF Investment Fund	-	680,000	-	680,000	-
	\$ 968,871	1,259,538	(350,229)	1,878,180	\$ 1,709,588

The organization has one loan exceeding \$150,000, the loan is \$212,211 and is included within the WD Conditionally Repayable Investment Fund.

Allowance for Doubtful accounts

An allowance for losses on investment loans is made by management based on a review of the loan portfolio, allowing for any realization of the related security provided. The allowance is comprised of the following:

	Beginning Balance	Current year allowance	Accounts written off	Recoveries	2021	2020
WD Non-repayable Investment Fund	\$ 100,000	111,397	(262)	-	211,135	\$ 100,000
WD Conditionally Repayable Investment Fund	-	139,094	0	-	139,094	-
WD Conditionally Repayable EDP Fund	40,645	7,438	(48,083)	-	-	40,645
RRRF Investment Fund	-	-	-	-	-	-
	\$ 140,645	257,929	(48,345)	-	350,229	\$ 140,645

COMMUNITY FUTURES SOUTHWEST INC.

NOTES TO FINANCIAL STATEMENTS
As at March 31, 2021

6. Long-Term Debt

	<u>2021</u>	<u>2020</u>
WD Conditionally Repayable Investment Fund	\$ 400,000	\$ 400,000
WD Conditionally Repayable EDP Fund	200,000	200,000
WD Conditionally Repayable RRRF Fund	680,000	-
	<u>1,280,000</u>	<u>600,000</u>
Less scheduled repayment	(240,000)	-
	<u>\$ 1,040,000</u>	<u>\$ 600,000</u>

Conditionally repayable contributions made by Western Economic Development (WD) are non-interest bearing, unsecured, and repayable upon 60 days notice in the event of default, as defined in the contribution agreement. WD Conditionally Repayable Contributions are subject to certain conditions as stipulated in the contribution agreement. Subsequent to year-end the organization is required to repay the RRRF funds that were undistributed to loan recipients, as such the amount to be repaid has been shown as current portion of long-term debt.

When the loans are collected, any remaining assets of the repayable investment fund may be retained by Community Futures Southwest Inc. at the discretion of the Minister.

7. Deferred Revenue

	<u>2021</u>	<u>2020</u>
WD funding 2020-2021 contract	\$ -	\$ 24,106

Deferred revenue was recorded in 2020, as WD had advanced an additional month's funding prior to year-end, no deferred revenue is present in 2021.

8. Financial Instruments

The organization is exposed to various risks through its financial instruments. The following comments help describe the nature of these risks as of March 31, 2021:

Credit risk

The organization's loans are to new and existing small businesses, unable to obtain financing through other means, which results in a concentration of credit risk.

Interest Rate risk

The organization is exposed to interest rate risk related to interest expends on any amounts drawn on it's floating rate debt facilities.

Market risk

The organization's temporary investments in publicly traded securities expose the organization to market risk as such investments are subject to price changes in the open market. The company does not use derivative financial instruments to alter the effects of this risk.

9. Economic Dependence

The organization received 76% of its funding from the federal government on which it is economically dependent. As a result, the organization is dependant upon the continuance of these funds to maintain operations at their current levels. The funding agreement with the federal government has been extended until March 31, 2026.

10. Interfund Transfers

The Board approved the transfer of funds between Repayable, Non-Repayable, the Repayable EDP fund and Operating Fund during the current year in the amount of \$2,546 (2020 - 2,858).

11. Lease Commitment

As of January 1, 2021 the organization has entered into a long-term lease agreement with S.C. Redeveco Ltd. to lease an office space for a monthly lease payment of \$1,160 plus GST. The lease is a 37 month lease with an option to renew for an additional 36 months at the same rate. The lease expires January 31, 2024.

The future minimum annual lease payments under operating leases for the office space are as follows:

2022	\$ 13,920
2023	13,920
2024	13,920
2025	13,920
2026	13,920
	<u>\$ 69,600</u>