

COMMUNITY FUTURES HIGHWOOD

FINANCIAL STATEMENTS

For the year ended March 31, 2021

COMMUNITY FUTURES HIGHWOOD
TABLE OF CONTENTS
For the year ended March 31, 2020

| | |
|---------------------------------------|--------|
| INDEPENDENT AUDITOR'S REPORT | 1 - 2 |
| FINANCIAL STATEMENTS | |
| STATEMENT OF FINANCIAL POSITION | 3 - 4 |
| STATEMENT OF OPERATIONS | 5 |
| STATEMENT OF CHANGES IN FUND BALANCES | 6 |
| STATEMENT OF CASH FLOWS | 7 |
| NOTES TO THE FINANCIAL STATEMENTS | 8 - 14 |
| SCHEDULE TO THE FINANCIAL STATEMENTS | 15 |

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Community Futures Highwood

Opinion

We have audited the financial statements of Community Futures Highwood, which comprise the statement of financial position as at March 31, 2021, and the statement of operations, changes in fund balances and statement of 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 financial performance 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 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 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 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 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:

INDEPENDENT AUDITOR'S REPORT, 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 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.

Lethbridge, Alberta
June 24, 2021



Chartered Professional Accountants

COMMUNITY FUTURES HIGHWOOD
STATEMENT OF FINANCIAL POSITION
As at March 31, 2021

| | WD Operating Fund | WD Non-Repayable Investment Fund | WD Conditionally Repayable EDP Fund | Rotary Fund | Regional Relief and Recovery Fund | 2021 Total | 2020 Total |
|-------------------------------------|-------------------|----------------------------------|-------------------------------------|-------------|-----------------------------------|--------------|--------------|
| ASSETS | | | | | | | |
| Current assets | | | | | | | |
| Cash | \$ 449,123 | \$ 652,380 | \$ - | \$ - | \$ 112,877 | \$ 1,214,380 | \$ 407,990 |
| Investments (note 3) | - | 918,749 | 238,259 | - | - | 1,157,008 | 1,056,801 |
| Accounts receivable | 814 | - | - | - | - | 814 | 7,317 |
| GST receivable | 1,215 | - | - | - | - | 1,215 | - |
| Interfund receivable | - | - | - | 155,806 | 10,652 | 166,458 | 14,094 |
| Prepaid expenses | - | - | - | - | - | - | 10,033 |
| Current portion of loans receivable | - | 1,130,648 | 48,928 | 2,428 | - | 1,182,004 | 1,338,300 |
| | 451,152 | 2,701,777 | 287,187 | 158,234 | 123,529 | 3,721,879 | 2,894,535 |
| Loans receivable (note 4) | - | 1,966,810 | 3,715 | 48,968 | 3,548,699 | 5,568,192 | 1,447,437 |
| Capital assets (note 5) | 27,292 | - | - | - | - | 27,292 | 23,662 |
| | \$ 478,444 | \$ 4,668,587 | \$ 290,902 | \$ 207,202 | \$ 3,672,228 | \$ 9,317,363 | \$ 4,305,634 |

COMMUNITY FUTURES HIGHWOOD
STATEMENT OF FINANCIAL POSITION
As at March 31, 2021

| | WD Operating Fund | WD Non-Repayable Investment Fund | WD Conditionally Repayable EDP Fund | Rotary Fund | Regional Relief and Recovery Fund | 2021 Total | 2020 Total |
|--|-------------------|----------------------------------|-------------------------------------|-------------|-----------------------------------|--------------|--------------|
| LIABILITIES AND FUND BALANCES | | | | | | | |
| Current liabilities | | | | | | | |
| Bank indebtedness | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 142,294 |
| Operating loan (note 6) | - | 1,450,933 | - | - | - | 1,450,933 | 601,907 |
| Accounts payable and accrued liabilities | 77,539 | - | - | 172,471 | - | 250,010 | 200,181 |
| Government remittances payable | 6,723 | - | - | - | - | 6,723 | - |
| Deferred revenue (note 7) | 176,330 | - | - | - | - | 176,330 | 80,053 |
| Interfund payable | 2,706 | 95,906 | 67,846 | - | - | 166,458 | 14,094 |
| Current portion of syndicated loans payable | - | 11,608 | - | - | - | 11,608 | 10,225 |
| | 263,298 | 1,558,447 | 67,846 | 172,471 | - | 2,062,062 | 1,048,754 |
| Syndicated loans payable (note 8) | - | 107,005 | - | - | - | 107,005 | 117,785 |
| Conditionally repayable contribution (note 9) | - | 200,000 | 200,000 | - | 3,672,228 | 4,072,228 | 400,000 |
| | 263,298 | 1,865,452 | 267,846 | 172,471 | 3,672,228 | 6,241,295 | 1,566,539 |
| Fund balances | | | | | | | |
| Share capital (note 10) | 10 | - | - | - | - | 10 | 10 |
| Invested in capital assets | 27,292 | - | - | - | - | 27,292 | 23,662 |
| Externally restricted | - | 2,803,135 | 23,056 | 34,731 | - | 2,860,922 | 2,529,499 |
| Unrestricted | 187,844 | - | - | - | - | 187,844 | 185,924 |
| | 215,146 | 2,803,135 | 23,056 | 34,731 | - | 3,076,068 | 2,739,095 |
| | \$ 478,444 | \$ 4,668,587 | \$ 290,902 | \$ 207,202 | \$ 3,672,228 | \$ 9,317,363 | \$ 4,305,634 |

Approved on behalf of the board

Director Evan Berger

Director Carol MacMillan

COMMUNITY FUTURES HIGHWOOD
STATEMENT OF OPERATIONS
For the year ended March 31, 2021

| | WD Operating Fund | WD Non-Repayable Investment Fund | WD Conditionally Repayable EDP Fund | Rotary Fund | Regional Relief and Recovery Fund | 2021 Total | 2020 Total |
|---|-------------------|----------------------------------|-------------------------------------|-------------|-----------------------------------|------------|--------------|
| Revenue | | | | | | | |
| WD contribution (schedule 1) | \$ 294,963 | \$ - | \$ - | \$ - | \$ - | \$ 294,963 | \$ 294,963 |
| WD RRRF operational funding (schedule 1) | 150,063 | - | - | - | - | 150,063 | - |
| Program revenues | 258,896 | - | - | - | - | 258,896 | 52,172 |
| Loan interest | - | 126,929 | 7,890 | 2,969 | - | 137,788 | 155,806 |
| Rental | 38,417 | - | - | - | - | 38,417 | 51,329 |
| Bank and investment interest | 3,908 | 28,026 | 5,336 | - | - | 37,270 | 43,820 |
| Loan administration fees | 20,512 | 860 | - | - | - | 21,372 | 24,287 |
| Unrealized gain (loss) on investments | - | 58,995 | 15,299 | - | - | 74,294 | (36,477) |
| | 766,759 | 214,810 | 28,525 | 2,969 | - | 1,013,063 | 585,900 |
| Expenses | | | | | | | |
| Salaries and related benefits | 305,654 | - | - | - | - | 305,654 | 271,772 |
| Program expenses | 238,777 | - | - | - | - | 238,777 | 9,533 |
| Community economic development | 66,500 | - | - | - | - | 66,500 | - |
| Professional fees | 57,298 | - | - | - | - | 57,298 | 61,832 |
| Interest on operating loan | - | 34,594 | - | - | - | 34,594 | 25,505 |
| Rent | 25,306 | - | - | - | - | 25,306 | 25,000 |
| Repairs and maintenance | 15,947 | - | - | - | - | 15,947 | 24,065 |
| Office | 8,866 | - | - | - | - | 8,866 | 6,073 |
| Professional development | 7,423 | - | - | - | - | 7,423 | 3,918 |
| Non-refundable GST | 6,619 | - | - | - | - | 6,619 | 3,517 |
| Advertising and promotion | 6,542 | - | - | - | - | 6,542 | 5,842 |
| Telephone | 6,029 | - | - | - | - | 6,029 | 5,857 |
| Interest and bank charges | 2,774 | 536 | - | - | - | 3,310 | 1,982 |
| Equipment lease/maintenance | 3,035 | - | - | - | - | 3,035 | 3,035 |
| Insurance | 2,200 | - | - | - | - | 2,200 | 2,246 |
| Meetings and conventions | 230 | - | - | - | - | 230 | 9,098 |
| Travel | - | - | - | - | - | - | 5,282 |
| Loan write offs (recoveries) | - | (18,020) | 20,632 | - | - | 2,612 | 613,658 |
| Change in loan loss provisions | - | (131,036) | 8,175 | - | - | (122,861) | (89,563) |
| Amortization | 8,009 | - | - | - | - | 8,009 | 5,031 |
| | 761,209 | (113,926) | 28,807 | - | - | 676,090 | 993,683 |
| Excess (deficiency) before other | 5,550 | 328,736 | (282) | 2,969 | - | 336,973 | (407,783) |
| Other expenses | | | | | | | |
| Loss on disposal of capital assets | - | - | - | - | - | - | 14,997 |
| Excess (deficiency) of revenue over expenses | \$ 5,550 | \$ 328,736 | (282) | \$ 2,969 | \$ - | \$ 336,973 | \$ (422,780) |

COMMUNITY FUTURES HIGHWOOD
STATEMENT OF CHANGES IN FUND BALANCES
For the year ended March 31, 2021

| | WD Operating Fund | WD Non-Repayable Investment Fund | WD Conditionally Repayable EDP Fund | Rotary Fund | Regional Relief and Recovery Fund | 2021 Total | 2020 Total |
|---|-------------------|----------------------------------|-------------------------------------|---------------|-----------------------------------|------------------|------------------|
| Invested in capital assets | | | | | | | |
| Beginning of year | \$ 23,662 | \$ - | \$ - | \$ - | \$ - | 23,662 | \$ 18,829 |
| Amortization of capital assets | (8,009) | - | - | - | - | (8,009) | (5,031) |
| Purchase of capital assets | 11,639 | - | - | - | - | 11,639 | 24,860 |
| Loss on disposal of capital assets | - | - | - | - | - | - | (14,996) |
| End of year | 27,292 | - | - | - | - | 27,292 | 23,662 |
| Externally restricted | | | | | | | |
| Beginning of year | - | 2,474,399 | 23,338 | 31,762 | - | 2,529,499 | 2,969,787 |
| Excess (deficiency) of revenue over expense | - | 328,736 | (282) | 2,969 | - | 331,423 | (390,288) |
| Interfund transfer | - | - | - | - | - | - | (50,000) |
| End of year | - | 2,803,135 | 23,056 | 34,731 | - | 2,860,922 | 2,529,499 |
| Internally restricted | | | | | | | |
| Beginning of year | - | - | - | - | - | - | 23,485 |
| Purchase of capital assets | - | - | - | - | - | - | (23,485) |
| End of year | - | - | - | - | - | - | - |
| Unrestricted | | | | | | | |
| Beginning of year | 185,924 | - | - | - | - | 185,924 | 149,764 |
| Excess (deficiency) of revenue over expense | 5,550 | - | - | - | - | 5,550 | (32,492) |
| Amortization of capital assets | 8,009 | - | - | - | - | 8,009 | 5,031 |
| Purchase of capital assets | 11,639 | - | - | - | - | 11,639 | (1,375) |
| Loss on disposal of capital assets | - | - | - | - | - | - | 14,996 |
| Interfund transfer | - | - | - | - | - | - | 50,000 |
| End of year | 211,122 | - | - | - | - | 211,122 | 185,924 |
| | \$ 238,414 | \$ 2,803,135 | \$ 23,056 | \$ 34,731 | \$ - | \$ 3,099,336 | \$ 2,739,085 |

COMMUNITY FUTURES HIGHWOOD
STATEMENT OF CASH FLOWS
For the year ended March 31, 2021

| | WD Operating Fund | WD Non-Repayable Investment Fund | WD Conditionally Repayable EDP Fund | Rotary Fund | Regional Relief and Recovery Fund | 2021 Total | 2020 Total |
|--|-------------------|----------------------------------|-------------------------------------|-------------|-----------------------------------|--------------|--------------|
| Cash flows from operating activities | | | | | | | |
| Excess (deficiency) of revenue over expenses | \$ 5,550 | \$ 328,736 | \$ (282) | \$ 2,969 | \$ - | \$ 336,973 | \$ (422,780) |
| Items not involving cash | | | | | | | |
| Amortization | 8,009 | - | - | - | - | 8,009 | 5,031 |
| Unrealized (gain) loss on investments | - | (58,995) | (15,299) | - | - | (74,294) | 36,477 |
| Bad debts (recovered) | - | (149,056) | 28,807 | - | - | (120,249) | 524,094 |
| Loss on disposal of capital assets | - | - | - | - | - | - | 14,997 |
| Loan transfer between funds | - | 33,684 | (33,684) | - | - | - | - |
| Net change in non-cash working capital items | 13,559 | 154,369 | (20,458) | 2,969 | - | 150,439 | 157,819 |
| Accounts receivable | 6,503 | - | - | - | - | 6,503 | (5,445) |
| Advances to other funds | 2,706 | 109,999 | 53,753 | (155,806) | (10,652) | - | - |
| Prepaid expenses | 10,033 | - | - | - | - | 10,033 | (3,448) |
| Accounts payable and accrued liabilities | 62,947 | - | - | - | - | 62,947 | (2,377) |
| Government remittances payable | 6,723 | - | - | - | - | 6,723 | - |
| GST payable | (1,215) | - | - | - | - | (1,215) | - |
| Deferred revenue | 96,278 | - | - | - | - | 96,278 | 45,000 |
| Cash flows from lending activities | | | | | | | |
| Loan payments | 197,534 | 264,368 | 33,295 | (152,837) | (10,652) | 331,708 | 191,549 |
| Loan advances | - | 568,507 | 28,096 | 11,044 | 48,801 | 656,448 | 744,966 |
| | - | (857,255) | (56,055) | (2,969) | (3,597,500) | (4,513,779) | (1,476,737) |
| | - | (288,748) | (27,959) | 8,075 | (3,548,699) | (3,857,331) | (731,771) |
| Cash flows from investing activities | | | | | | | |
| Operating line advances | - | 898,000 | - | - | - | 898,000 | - |
| Operating line repayments | - | (48,974) | - | - | - | (48,974) | (94,495) |
| Purchase of capital assets | (11,639) | - | - | - | - | (11,639) | (24,860) |
| Purchase of investments | - | (20,575) | (5,336) | - | - | (25,911) | (31,489) |
| | (11,639) | 828,451 | (5,336) | - | - | 811,476 | (150,844) |
| Cash flows from financing activities | | | | | | | |
| Repayment of syndicated loan debt | - | (9,397) | - | - | - | (9,397) | (10,215) |
| Proceeds from investment funds | - | - | - | - | 3,672,228 | 3,672,228 | - |
| | - | (9,397) | - | - | 3,672,228 | 3,662,831 | (10,215) |
| Increase (decrease) in cash | 185,895 | 794,674 | - | (144,762) | 112,877 | 948,684 | (701,281) |
| Cash, beginning of year | 263,228 | (142,294) | - | 144,762 | - | 265,696 | 966,977 |
| Cash, end of year | \$ 449,123 | \$ 652,380 | \$ - | \$ - | \$ 112,877 | \$ 1,214,380 | \$ 265,696 |

COMMUNITY FUTURES HIGHWOOD
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2021

1. Nature of operations

Community Futures Highwood is a community based not-for-profit organization that was incorporated under the Companies Act of Alberta. The Government of Canada through the Department of Western Economic Diversification, provides financial assistance to the organization pursuant to a Contribution Agreement effective April 1, 2018. The purpose of the organization is to support community economic development, diversify the economy, support the creation and expansion of small and medium sized enterprises, maintain and create new employment and maintain the Minister's capacity to deliver business services to rural communities in Western Canada.

2. Significant accounting policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant policies are detailed as follows:

(a) Revenue recognition

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

Rental revenue is recognized as revenue of the WD operating fund in the year received once the agreement has been made to rent the space.

Investment income includes interest income as well as realized investment gains and losses which are recognized as revenue in the respective fund when earned.

(b) Loans receivable and allowance 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 writeoffs, net of recoveries.

(c) Capital assets

Capital assets are recorded at cost. Purchases of capital assets in excess of \$500 are capitalized. The organization provides for amortization in the WD operating fund using the following methods and rates designed to amortize the cost of the property and equipment over its estimated useful life.

| | |
|--------------------------------|-------------------------|
| Furniture and office equipment | 20% - 30% straight-line |
| Leasehold improvements | 20% straight-line |

COMMUNITY FUTURES HIGHWOOD
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2021

2. Significant accounting policies, continued

(d) Equity in capital assets
The organization has chosen to continue to treat fund balances invested in capital assets as a separate component of fund balances.

(e) Income taxes
The organization is operated exclusively for not-for-profit purposes and accordingly will be exempted from income taxes as long as it complies with the requirements of section 149(1)(l) of the Income Tax Act.

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

WD Operating fund:

The WD Operating fund is charged with providing administration services to other funds within the control of the organization. The operating fund accounts for the organization's operating costs and general revenues. This fund reports unrestricted resources and restricted operating grants.

WD Non-repayable investment fund:

The WD Non-repayable investment fund is charged with providing loan financing to qualifying businesses.

WD Conditionally repayable EDP (Entrepreneurs with Disabilities Program) fund:

The WD Conditionally repayable EDP fund is charged with providing loan financing to qualifying individuals who have a physical or mental impairment to start or expand business ventures.

WD Conditionally repayable youth fund:

The WD Conditionally repayable youth fund is charged with providing loan financing to businesses owned and operated by entrepreneurs between the ages of 18 and 29 at the time of application. This fund has been combined with the Non-repayable investment fund.

Rotary fund:

The Rotary fund is charged with providing loan financing to businesses in High River that meet the specific financing criteria.

Regional Relief and Recovery Fund

The Regional Relief and Recovery Fund is used to account for repayable investment funds the organization received from the Government of Canada to provide loans for small and medium-sized enterprises to enable their recovery from economic disruptions caused by the COVID-19 pandemic.

COMMUNITY FUTURES HIGHWOOD
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2021

2. Significant accounting policies, continued

- (g) Measurement uncertainty
The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

Significant areas requiring the use of management's estimates are the allowance for loan impairment, accounts receivable and the related allowance for doubtful accounts, amortization of tangible capital assets, and deferred revenue. These amounts reflect management's best estimates based on the conditions and information available at the time of the preparation of the financial statements. Significant changes in these conditions could result in different estimates.

- (h) Financial instruments
The organization initially measures all of its financial assets and financial liabilities at fair value. The organization subsequently measures all of its financial assets and liabilities at amortized cost except for investments in securities traded in an active market, which are measured at fair value.

3. Investments

| | 2021 | 2020 |
|---|--------------|--------------|
| Community Futures Lending Investment Pool (cost: \$1,102,666 ; 2020 - \$1,076,755) | \$ 1,157,008 | \$ 1,056,801 |

The funds invested in the Community Futures Lending Investment Pool are managed on behalf of the organization by Community Futures Network of Alberta. The organization has access to the funds at any time if they are required for loan purposes.

COMMUNITY FUTURES HIGHWOOD
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2021

4. Loans receivable

Outstanding loans to entrepreneurs are interest bearing at fixed rates varying from 4.45% to 8.45% with monthly blended principal and interest repayments for terms between 12 and 180 months. Security is taken on these loans as appropriate and includes personal guarantees, general security agreements covering personal and business assets, assignment of insurance, and mortgages on land and buildings.

| | Recorded loan | Allowance | Carrying value | Current portion | Long-term portion |
|--|---------------------|---------------------|---------------------|----------------------|----------------------|
| WD Non-Repayable Investment Fund | \$ 3,112,140 | \$ (14,682) | \$ 3,097,458 | \$(1,130,648) | \$ 1,966,810 |
| WD Conditionally Repayable EDP Fund | 147,365 | (94,722) | 52,643 | (48,928) | 3,715 |
| Rotary Fund | 51,396 | - | 51,396 | (2,428) | 48,968 |
| Regional Relief and Recovery Fund | 3,548,699 | - | 3,548,699 | - | 3,548,699 |
| | <u>\$ 6,859,600</u> | <u>\$ (109,404)</u> | <u>\$ 6,750,196</u> | <u>\$(1,182,004)</u> | <u>\$ 5,568,192</u> |

The current portion includes lines of credit with one year maturities of \$1,031,000 (2020: \$1,050,000). These lines of credit are typically refinanced at maturity.

Included in the above loans receivable are five loans of \$150,000 or more with initial loan advances totaling \$750,000 and March 31, 2021 remaining balances totaling \$546,513.

During the year, there were the following changes in the allowance for doubtful accounts:

| | Beginning balance | Provisions | Write-offs | Reversals | Ending balance |
|--|----------------------|------------------|---------------------|-------------|-------------------|
| WD Non- Repayable Investment Fund | \$ 145,718 | \$ 14,682 | \$ (145,718) | \$ - | \$ 14,682 |
| WD Conditionally Repayable EDP Fund | 86,547 | 32,868 | (24,693) | - | 94,722 |
| | <u>\$ 232,265</u> | <u>\$ 47,550</u> | <u>\$ (170,411)</u> | <u>\$ -</u> | <u>\$ 109,404</u> |

Included in the loan write offs and loss provisions expenses are the above allowance for doubtful accounts, write-offs, and reversals resulting in a net recovery of \$122,861. Combined with direct loan recoveries of \$24,484 and write-offs of \$27,096 there was a net bad debt recovery of \$120,249.

COMMUNITY FUTURES HIGHWOOD
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2021

5. Capital assets

| | Cost | Accumulated Amortization | 2021 Net Book Value | 2020 Net Book Value |
|-----------------------------------|------------------|-----------------------------|---------------------------|---------------------------|
| Furniture and office equipment | \$ 53,055 | \$ 36,238 | \$ 16,817 | \$ 23,662 |
| Leasehold improvements | 19,984 | 9,509 | 10,475 | - |
| | <u>\$ 73,039</u> | <u>\$ 45,747</u> | <u>\$ 27,292</u> | <u>\$ 23,662</u> |

6. Operating loan

The organization has negotiated an operating loan up to \$1,500,000 with the Alberta Community Futures Association's CFLIP Program for the operating fund that is secured by a borrowing resolution. The organization is currently making interest only monthly payments at the prime rate.

7. Deferred revenue

| | Opening | Received | Earned | Repaid | Closing |
|---|------------------|-------------------|---------------------|--------------------|----------------|
| WD contributions \$ | 24,580 \$ | 420,446 \$ | (445,026) \$ | - \$ | - |
| Okotoks Entrepreneur Project | 55,000 | - | (29,496) | - | 25,504 |
| Succession Matching Program | - | 277,793 | (126,967) | - | 150,826 |
| Business Recovery and Retention Program | - | 124,000 | (82,500) | (41,500) | - |
| Prepaid rent | 473 | - | (473) | - | - |
| | <u>\$ 80,053</u> | <u>\$ 822,239</u> | <u>\$ (684,462)</u> | <u>\$ (41,500)</u> | <u>176,330</u> |

COMMUNITY FUTURES HIGHWOOD
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2021

8. Syndicated loans payable

| | 2021 | 2020 |
|---|------------|------------|
| This syndicated loan is repayable at \$800 per month including interest at 6.70%. The loan matures in 2028. | \$ 60,042 | \$ 63,950 |
| This syndicated loan is repayable at \$859 per month including interest at 7.95%. The loan matures in 2028. | 58,571 | 64,060 |
| | 118,613 | 128,010 |
| Less current portion | 11,608 | 10,225 |
| | \$ 107,005 | \$ 117,785 |

The syndicated loans payable are due to other Community Futures organizations who are partners in certain syndicated loans. Estimated principal repayments based on currently accepted payments are as follows:

| | | |
|------------|------------|--|
| 2022 | \$ 11,608 | |
| 2023 | 12,489 | |
| 2024 | 13,436 | |
| 2025 | 14,457 | |
| 2026 | 15,555 | |
| Subsequent | 51,068 | |
| | \$ 118,613 | |

9. Conditionally repayable contribution

Western Economic Diversification contributions are required to be maintained in particular funds. These contributions are available solely for the mandate of each fund. In prior years, Western Economic Diversification provided contributions totaling \$400,000 to improve access to capital for qualifying business. Upon notice of the Minister of Western Economic Development, the organization must repay the lesser of the uncommitted cash balance in each of the funds and the amount of the repayable contributions in each fund. As of March 31, 2021 no such notice has been given by the Minister.

In the current year the Government of Canada (via Community Futures Network of Alberta) provided contributions totaling \$3,707,818 for the Regional Relief and Recovery Fund. The contributions are repayable net of any loan forgiveness, losses and loan collection fees. During the year repayments of \$35,590 were made.

10. Share capital

| | 2021 | 2020 |
|-------------------------|-------|-------|
| Issued | | |
| 10 Common Voting Shares | \$ 10 | \$ 10 |

11. Financial instruments

Credit risk

Credit risk arises from the potential that the entities to which the organization provides financing may experience difficulties and be unable to fulfill their obligations. The organization is exposed to financial risk that arises from the credit quality of the entities to which it provides services and loans. In order to match the credit risk to the organization's objectives, the organization has adopted credit policies which include loan approval procedures, credit analysis of each borrower, adequate security, and the analysis of the financial position of its borrowers on a regular basis.

Liquidity risk

Liquidity risk is the risk the organization may not be able to meet its obligations. The organization is exposed to this risk mainly in respect of its accounts payable and accrued liabilities, loan payable, syndicated loan payable, and operating lease commitments.

Interest rate risk

The organization manages its exposure to interest rate risk through a combination of fixed and floating rate borrowings. The fixed rate debt is subject to interest rate price risk, as the value will fluctuate as a result of changes in market rates. The floating rate debt is subject to interest rate cash flow risk, as the required cash flows to service the debt will fluctuate as a result of changes in market rates.

12. Economic dependence

The organization receives a significant portion of its operating revenue from federal government contracts and is therefore economically dependant on the Government of Canada.

13. COVID-19

Events have occurred as a result of the COVID-19 (coronavirus) pandemic that have caused economic uncertainty. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government responses, remain unclear at this time.

Some of the key impacts include, but are not limited to, interruptions of production and supply chains, unavailability of personnel, reductions in revenue, decline in value of financial investments, disruptions or stoppages in non-essential travel, and the closure of facilities and businesses.

The organization's revenues increased due to receiving additional operating funding for the increased costs associated with acting as an agent to disburse the Regional Relief and Recovery Fund. Cash flows were also affected as the organization allowed clients to defer principal payments on loans for the three month period April to June, 2020. The organization is following Government guidelines and has developed policies to ensure the safety of employees is maintained. Management is not aware of any material impairments that will further impact the financial assets or liabilities of the organization due to the pandemic.

The situation is continually changing and the future impact on the organization is not readily determinable at this time.

COMMUNITY FUTURES HIGHWOOD
SCHEDULE OF WED OPERATING REVENUE AND EXPENSES
For the year ended March 31, 2021

| | Operating Fund | Regional Relief and Recovery Fund | Total 2021 |
|--|-------------------|---|-----------------|
| Revenue | | | |
| Western Economic Diversification contributions | \$ 294,963 | \$ 150,063 | \$ 445,026 |
| Expenses | | | |
| Salaries and related benefits | 284,133 | 21,521 | 305,654 |
| Community economic development | - | 66,500 | 66,500 |
| Professional fees | 31,771 | 25,527 | 57,298 |
| Repairs and maintenance | 10,219 | 5,728 | 15,947 |
| Rent | 25,306 | - | 25,306 |
| Office | 2,656 | 6,210 | 8,866 |
| Professional development | 4,038 | 3,385 | 7,423 |
| Non-refundable GST | 6,619 | - | 6,619 |
| Advertising and promotion | 451 | 6,091 | 6,542 |
| Telephone | 4,015 | 2,014 | 6,029 |
| Interest and bank charges | 2,324 | 448 | 2,772 |
| Equipment lease and maintenance | 3,035 | - | 3,035 |
| Insurance | 2,200 | - | 2,200 |
| Program expenses | - | 1,000 | 1,000 |
| | 376,767 | 138,424 | 515,191 |
| Deficiency of revenue over expenses | (81,804) | 11,639 | (70,165) |
| Other cash outflows | | | |
| Capital asset purchases | - | 11,639 | 11,639 |
| | \$ (81,804) | \$ - | \$ (81,804) |

SIGNATURE CERTIFICATE





REFERENCE NUMBER

F8A59F1F-B9D3-467C-8EFA-C40D6741E851

| TRANSACTION DETAILS | DOCUMENT DETAILS |
|---|---|
| <p>Reference Number F8A59F1F-B9D3-467C-8EFA-C40D6741E851</p> <p>Transaction Type Signature Request</p> <p>Sent At 06/28/2021 08:56 MST</p> <p>Executed At 06/30/2021 15:11 MST</p> <p>Identity Method email</p> <p>Distribution Method email</p> <p>Signed Checksum 218f946ead091543944c5f9497c90130424155cd54d2bfc13b631cbc4204b539</p> <p>Signer Sequencing Disabled</p> <p>Document Passcode Disabled</p> | <p>Document Name Year End Documents For Signing - Community Futures Highwood</p> <p>Filename year_end_documents_for_signing_-_community_futures_highwood.pdf</p> <p>Pages 30 pages</p> <p>Content Type application/pdf</p> <p>File Size 805 KB</p> <p>Original Checksum b44b0390276dc2b07e3b3acc23fa7ce104c3ddda9e8436b39e79d3ad6924a68</p> |

SIGNERS

| SIGNER | E-SIGNATURE | EVENTS |
|--|--|--|
| <p>Name Ursula Sherwood</p> <p>Email ursulas@cfhighwood.net</p> <p>Components 8</p> | <p>Status signed</p> <p>Multi-factor Digital Fingerprint Checksum 62fc78f88cf997dff32c817db8603704344fd51cc257271ce62e2bcc58694027</p> <p>IP Address 50.99.71.253</p> <p>Device Chrome via Windows</p> <p>Typed Signature </p> <p>Signature Reference ID 7DBDC318</p> | <p>Viewed At 06/30/2021 15:04 MST</p> <p>Identity Authenticated At 06/30/2021 15:10 MST</p> <p>Signed At 06/30/2021 15:11 MST</p> |
| <p>Name Evan Berger</p> <p>Email evan@evanberger.ca</p> <p>Components 1</p> | <p>Status signed</p> <p>Multi-factor Digital Fingerprint Checksum 4d20fa032b50f2bd42a8170a08919a8ea272d12880f6a70e70fdbdafacc4229</p> <p>IP Address 209.115.229.172</p> <p>Device Chrome via Windows</p> <p>Typed Signature </p> <p>Signature Reference ID 408C56FB</p> | <p>Viewed At 06/30/2021 06:32 MST</p> <p>Identity Authenticated At 06/30/2021 06:34 MST</p> <p>Signed At 06/30/2021 06:35 MST</p> |
| <p>Name Carol MacMillan</p> <p>Email</p> | <p>Status signed</p> <p>Multi-factor Digital Fingerprint Checksum</p> | <p>Viewed At 06/28/2021 09:28 MST</p> <p>Identity Authenticated At</p> |

cmacmillan@highriver.ca

79226ee8de9888c7304b2bf3735751ec01bb4da0ca5cbe1cebedf58742d71800

06/28/2021 09:29 MST

Components

1

IP Address

50.99.61.120

Signed At

06/28/2021 09:30 MST

Device

Chrome via Windows

Typed Signature



Signature Reference ID

11C7E146

AUDITS

| TIMESTAMP | AUDIT |
|----------------------|--|
| 06/28/2021 08:56 MST | Heather Clarke (heather.clarke@availcpa.com) created document 'year_end_documents_for_signing_-_community_futures_highwood.pdf' on Chrome via Windows from 142.59.66.43. |
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| 06/28/2021 08:56 MST | Evan Berger (evan@evanberger.ca) was emailed a link to sign. |
| 06/28/2021 08:56 MST | Ursula Sherwood (ursulas@cfhighwood.net) was emailed a link to sign. |
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