

**COMMUNITY FUTURES NETWORK OF ALBERTA - COMMUNITY FUTURES
LENDING AND INVESTMENT POOL OF ALBERTA FUND**

FINANCIAL STATEMENTS

For the year ended March 31, 2021

**COMMUNITY FUTURES NETWORK OF ALBERTA - COMMUNITY FUTURES
LENDING AND INVESTMENT POOL OF ALBERTA FUND**
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March 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To: The Directors of
Community Futures Network of Alberta

Opinion

We have audited the financial statements of Community Futures Network of Alberta - Community Futures Lending and Investment Pool of Alberta Fund, which comprise the statement of financial position as at March 31, 2021, and the statements of operations and 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 organization as at March 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with the requirements set out in the Contribution Agreement between Western Economic Diversification and Community Futures Network of Alberta, dated March 2, 2018 (the "Agreement".)

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.

Other Matter

The financial statements of the organization for the year ended March 31, 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on September 14, 2020.

Emphasis of Matter

We draw attention to note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the organization to meet the requirements of the Agreement. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

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 the Agreement, 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.

INDEPENDENT AUDITOR'S REPORT, continued

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:

- ♦ 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

September 15, 2021

Chartered Professional Accountants

**COMMUNITY FUTURES NETWORK OF ALBERTA - COMMUNITY FUTURES
LENDING AND INVESTMENT POOL OF ALBERTA FUND**
STATEMENT OF FINANCIAL POSITION
As at March 31, 2021

	2021	2020
ASSETS		
Current		
Cash (note 4)	\$ 1,787,334	\$ 206,430
Portfolio investments held in trust (note 5)	20,439,580	17,091,123
Lines of credit receivable held in trust (note 6)	8,929,092	8,667,644
Prepaid expenses	14,801	14,801
	\$ 31,170,807	\$ 25,979,998
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	\$ 45,160	\$ 39,442
Due to Community Futures Network of Alberta - operating fund (note 7)	215,886	25,000
Due to Community Futures Development Corporations (note 8)	21,673,425	17,475,795
	21,934,471	17,540,237
Due to Western Economic Diversification (note 9)	7,000,000	7,000,000
	28,934,471	24,540,237
Net assets		
Share capital (note 10)	25	25
Unrestricted net assets	2,236,311	1,439,736
	2,236,336	1,439,761
	\$ 31,170,807	\$ 25,979,998

Approved on behalf of the board:

Directors John Husch

Directors Wayne Schutty

**COMMUNITY FUTURES NETWORK OF ALBERTA - COMMUNITY FUTURES
LENDING AND INVESTMENT POOL OF ALBERTA FUND**
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
For the year ended March 31, 2021

	2021	2020
Revenue		
Investment income	\$ 212,191	\$ 267,131
Interest from lines of credit	74,642	123,087
	286,833	390,218
Expenses		
Professional fees	53,904	49,986
Administrative	-	93,861
	53,904	143,847
Excess of revenue over expenses from operations	232,929	246,371
Other income (expense)		
Gain (loss) on change in fair value of portfolio investments	563,646	(340,267)
Excess (deficiency) of revenue over expenses	796,575	(93,896)
Unrestricted net assets, beginning of year	1,439,736	1,533,632
Unrestricted net assets, end of year	\$ 2,236,311	\$ 1,439,736

**COMMUNITY FUTURES NETWORK OF ALBERTA - COMMUNITY FUTURES
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STATEMENT OF CASH FLOWS
For the year ended March 31, 2021

	2021	2020
Cash flows from operating activities		
Excess (deficiency) of revenue over expenses	\$ 796,575	\$ (93,896)
Adjustment for item which does not affect cash		
(Gain) loss on change in fair value of portfolio investments	(563,646)	340,267
	232,929	246,371
Change in non-cash working capital items		
Prepaid expenses	-	(1,139)
Accounts payable and accrued liabilities	5,717	8,610
Due to Community Futures Network of Alberta - operating fund	190,886	25,000
	429,532	278,842
Cash flows from investing activities		
Repayment of lines of credit receivable held in trust	636,552	205,176
Advances of lines of credit held in trust	(898,000)	-
Purchase of portfolio investments	(6,841,098)	(11,797,794)
Sale of portfolio investments	4,056,287	9,445,503
	(3,046,259)	(2,147,115)
Cash flows from financing activities		
Deposits by Community Futures Development Corporations	4,694,850	3,317,000
Withdrawals by Community Futures Development Corporations	(497,219)	(1,282,010)
	4,197,631	2,034,990
Net increase in cash	1,580,904	166,717
Cash, beginning of year	206,430	39,713
Cash, end of year	\$ 1,787,334	\$ 206,430

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NOTES TO THE FINANCIAL STATEMENTS
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1. Nature of operations

Originally formed under the Societies Act of Alberta as Community Futures Network Society of Alberta on September 27, 1996, the organization provided membership services to Alberta Community Futures Development Corporations ("CFDCs"). At the request of the membership, Community Futures Lending and Investment Pool of Alberta was formed under Part 9 of the Alberta Corporations Act. Ownership of shares in Community Futures Lending and Investment Pool of Alberta was not a requirement of the 27 Alberta CFDC members of Community Futures Network Society of Alberta. Twenty-five (25) of twenty-seven (27) Alberta CFDCs purchased and hold common voting shares in Community Futures Lending and Investment Pool of Alberta. Each share issued was accompanied by a Community Futures Lending and Investment Pool – Cash Pooling Agreement signed between the Society and each shareholder.

On March 31, 2006, the Society was dissolved, and assets transferred to Community Futures Lending and Investment Pool of Alberta. Effective April 1, 2006, Community Futures Lending and Investment Pool of Alberta formally changed its name to Community Futures Network of Alberta ("CFNA").

The purpose of the Community Futures Network of Alberta (the "organization") is to support the functioning of the Community Futures ("CF") program in Alberta and to provide membership services to the 27 Alberta CFDCs.

Community Futures Lending and Investment Pool ("CFLIP") is a division of CFNA and provides Alberta CFDCs with a membership focused pool to invest excess funds and/or to provide Alberta CFDCs with a preferred source for incremental investment fund monies.

The organization is exempt from income tax under section 149.1 (1) of the Income Tax Act (the "Act"). To maintain its status as a tax-exempt entity under the Act, the organization must meet certain requirements within the Act. In the opinion of management, these requirements have been met

2. Basis of preparation

These statements have been prepared in accordance with the reporting conditions outlined in the contribution agreement between Western Economic Diversification and Community Futures Network of Alberta dated March 2, 2018 (the "Agreement"). This Agreement requires the use of Canadian accounting standards for not-for-profit organizations, except that the statements of financial position, results of operations, and cash flows of CFLIP be presented in a separate financial statement. Accordingly, these financial statements do not reflect all the assets, liabilities, revenues, and expenses related to CFNA.

3. Significant accounting policies

The organization applies Canadian accounting standards for not-for-profit organizations, except for the requirements set out in the Contribution Agreement between Western Economic Diversification and Community Futures Network of Alberta, dated March 2, 2018. The significant policies are detailed as follows:

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3. Significant accounting policies, continued

(a) Revenue recognition

The organization recognizes income from portfolio investments, net of the share allocated to CFDCs. Income from fixed income instruments is recognized based on bond yield. Income from equity instruments is recognized on settlement dates for dividends declared. Income from balanced funds is recognized based on their respective components of fixed income and equities.

Interest income is recognized as earned, net of amounts earned by CFDCs.

(b) Financial instruments

The organization initially measures its financial assets and liabilities at fair value. The organization subsequently measures its financial assets and financial liabilities at amortized cost, except for portfolio investments, which are subsequently measured at fair value.

Financial assets measured at amortized cost include cash, accounts receivable, and lines of credit receivable in trust. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, and amounts due to CFDCs and Western Economic Diversification.

(c) Cash and cash equivalents

Cash and cash equivalents consists of balances held within Canadian banks.

(d) Investments

Portfolio investments with prices quoted in an active market are measured at fair value. Changes in fair value are recorded in excess of revenue over expenses.

(e) Measurement uncertainty

The preparation of financial statements in conformity with the Agreement 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.

4. Cash

	2021	2020
CFLIP	\$ 1,571,411	\$ 206,430
Regional Relief and Recovery Fund	215,923	-
	<u>\$ 1,787,334</u>	<u>\$ 206,430</u>

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5. **Portfolio investments held in trust**

Investment policy							
	Min	Max	Target	2021	% of portfolio	2020	% of portfolio
	%	%	%				
Traditional income							
Cash amount	0%	40%	0%	\$ 1,451,210	7.1%	\$ 649,463	3.8 %
Canadian bonds	0%	40%	20%	3,740,443	18.3%	2,085,117	12.2 %
Preferred shares	0%	20%	10%	-	-%	1,059,650	6.2 %
	10%	50%	30%	5,191,653	25.4%	3,794,230	22.2%
Non-traditional income							
Lending	0%	35%	10%	1,635,166	8.0%	1,657,839	9.7 %
Agriculture	0%	25%	5%	981,100	4.8%	991,285	5.8 %
Multi strategy	0%	40%	5%	2,595,827	12.7%	2,273,119	13.3 %
Infrastructure	0%	25%	10%	1,716,925	8.4%	1,794,568	10.5 %
Real estate	0%	25%	10%	1,676,046	8.2%	1,674,930	9.8 %
	20%	60%	40%	8,605,064	42.1%	8,391,741	49.1%
Traditional capital appreciation							
Canadian equity	0%	25%	5%	1,982,639	9.7%	871,647	5.1 %
US equity	0%	25%	5%	429,231	2.1%	683,645	4.0 %
International equity	0%	25%	5%	756,264	3.7%	427,278	2.5 %
Emerging markets	0%	10%	0%	940,221	4.6%	683,645	4.0 %
	0%	40%	15%	4,108,355	20.1%	2,666,215	15.6%
Non-traditional capital appreciation							
Focused equity	0%	20%	5%	838,023	4.1%	683,645	4.0 %
Global equity	0%	20%	0%	1,696,485	8.3%	1,538,201	9.0 %
Fiera active trading	0%	25%	5%	-	-%	-	- %
Fiera capital income	0%	25%	5%	-	-%	17,091	0.1 %
	0%	35%	15%	2,534,508	12.4%	2,238,937	13.1%
				\$ 20,439,580		\$ 17,091,123	

6. **Lines of credit receivable held in trust**

Community Futures Network of Alberta - Community Futures Lending and Investment Pool of Alberta Fund issues lines of credit to CFDC members. Currently, lines of credit approved have maximum amounts ranging from \$1,000,000 to \$4,400,000. Repayments are interest only at the prime rate, with balances due from 2023 to 2026. The lines of credit are secured by a general security agreement and demand promissory notes.

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7. Due to Community Futures Network of Alberta - operating fund

		2021	2020
Regional Relief and Recovery Fund payments received	\$	215,886	\$ -
Interest transfer		-	25,000
	\$	215,886	\$ 25,000

8. Due to Community Futures Development Corporations

CFDCs are independent organizations delivering the Community Futures program in their respective regions within Alberta. Due to CFDCs consists of funds due based on their proportionate investments held in trust. The amount payable to the individual members includes income generated net of professional fees of the fund in proportion to their investment. This amount is classified as current due as members may request approval from Western Economic Diversification to withdraw their funds at any time.

The CFLIP investments are managed by CFNA. The net earnings allocated to each CFDC is based on average balances for each CFDC throughout the year. CFNA earns approximately 33% (2020 - 32%) of net earnings before CFNA's administrative withdrawal from the CFLIP fund.

9. Due to Western Economic Diversification

This consists of a conditionally repayable contribution to the organization for an eligible investment fund deposit. The contribution is repayable to Western Economic Diversification when total deposits in the investment pool exceeds \$25,000,000, of which the Minister's portion is \$7,000,000 plus accrued interest. As the total asset balance at year-end exceeds \$25,000,000, the Minister may, upon 30 days written notice, require the organization to repay the amount of the contribution, at a rate of 25% of the total deposits and interest in excess of \$25,000,000 per year, up to a maximum of \$7,000,000 plus accrued interest.

As of March 31, 2021, no such notice had been given by the Minister.

10. Share capital

Issued

		2021	2020
25 Common voting shares	\$	25	\$ 25

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11. Financial instruments

(a) Concentration of credit risk

The organization does have concentration of credit risk as approximately 92% of its lines of credit receivable are concentrated in four facilities (2020 - 78%). In the opinion of management, there is minimal risk associated with the collection of these amounts.

(b) Interest rate risk

The organization is exposed to interest rate risk due to the variable rate interest on its lines of credit receivable. Changes in the interest rate may cause fluctuations in cash flows and interest income.

12. 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 cash flows increased due to CFDCs having additional cash associated with the Regional Relief and Recovery Fund. 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.