

**Community Futures Network of Alberta: Community Futures Lending and
Investment Pool of Alberta Fund
Financial Statements**
March 31, 2020

Management's Responsibility

To the Members of Community Futures Network of Alberta:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with the contribution agreement between Western Economic Diversification and the Community Futures Network of Alberta dated March 2, 2018. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safe guarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is composed primarily of Directors who are neither management nor employees of the Organization. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Organization's external auditors.

MNP LLP is appointed by the members to conduct a reasonable assurance engagement and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

September 14, 2020

DocuSigned by:

Phyllis Maki

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Phyllis Maki, Executive Director

Independent Practitioner's Reasonable Assurance Report on Compliance

To the Members of Community Futures Network of Alberta:

We have undertaken a reasonable assurance engagement of Community Futures Network of Alberta - Community Futures Lending and Investment Pool of Alberta Fund's compliance during the period April 1, 2019, to March 31, 2020, with the requirements set out in the Contribution Agreement between Western Economic Diversification Canada and Community Futures Network of Alberta dated March 2, 2018.

Management's Responsibility

Management is responsible for Community Futures Network of Alberta - Community Futures Lending and Investment Pool of Alberta Fund's compliance with the specified requirements. Management is also responsible for such internal control as management determines necessary to enable Community Futures Centre West's compliance with the specified requirements.

Our Responsibility

Our responsibility is to express a reasonable assurance opinion on Community Futures Network of Alberta - Community Futures Lending and Investment Pool of Alberta Fund's compliance based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with Canadian Standard on Assurance Engagements 3531, Direct Engagements to Report on Compliance. This standard requires that we plan and perform this engagement to obtain reasonable assurance about whether the entity complied with the specified requirements, in all significant respects.

Reasonable assurance is a high level of assurance but is not a guarantee that an engagement conducted in accordance with this standard will always detect a significant instance of non-compliance with specified requirements when it exists. Instances of non-compliance can arise from fraud or error and are considered significant if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users of our report. A reasonable assurance compliance reporting engagement involves performing procedures to obtain evidence about the entity's compliance with the specified requirements. The nature, timing and extent of procedures selected depends on our professional judgment, including an assessment of the risks of significant non-compliance, whether due to fraud or error.

We believe the evidence we obtained is sufficient and appropriate to provide a basis for our opinion.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Rules of Professional Conduct of Alberta, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Canadian Standard on Quality Control 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements* and, accordingly, maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Other matter

We are familiar with the terms and conditions of the Contribution Agreement and no breach of such terms and conditions came to our attention during the course of our engagement.

Opinion

In our opinion, Community Futures Network of Alberta - Community Futures Lending and Investment Pool of Alberta Fund complied with the specified requirements set out in the Contribution Agreement during the period April 1, 2019, to March 31, 2020, in all significant respects.

We do not provide a legal opinion Community Futures Network of Alberta - Community Futures Lending and Investment Pool of Alberta Fund's compliance with the specified requirements.

Restriction on Distribution and Use of Our Report

Our report is intended solely for Community Futures Network of Alberta - Community Futures Lending and Investment Pool of Alberta Fund and Western Economic Diversification Canada and should not be distributed to or used by parties other than Community Futures Network of Alberta - Community Futures Lending and Investment Pool of Alberta Fund or Western Economic Diversification Canada.

Calgary, Alberta

September 14, 2020

MNP LLP

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, 2020

	2020	2019
Assets		
Current		
Cash	206,430	39,713
Portfolio investments held in trust (Note 5)	17,091,123	15,080,010
Lines of credit receivable held in trust (Note 6)	8,667,644	8,872,820
Prepaid expenses	14,801	13,662
Total Assets	25,979,998	24,006,205
Liabilities		
Current		
Accounts payable and accruals	39,443	30,832
Interest transfer payable to Community Futures Network of Alberta - Operating Fund	25,000	-
Due to Community Futures Development Corporations (Note 7)	17,475,795	15,441,716
	17,540,238	15,472,548
Due to Western Economic Diversification (Note 8)	7,000,000	7,000,000
	24,540,238	22,472,548
Fund Balances		
Net assets	1,439,735	1,533,632
Share capital (Note 9)	25	25
	1,439,760	1,533,657
Total Liabilities and Fund Balances	25,979,998	24,006,205

Approved on behalf of the Board

DocuSigned by:

John Husch

Acting Chair - John Husch

DocuSigned by:

Vanessa Simonin

Treasurer - Vanessa Simonin

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, 2020

	2020	2019
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Revenue		
Interest revenue from lines of credit	123,087	119,292
Investment income	267,131	197,640
	390,218	316,932
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Expenses		
Administrative (Note 4)	93,861	91,338
Professional fees	49,987	45,217
	143,848	136,555
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Excess of revenue over expenses before other expenses	246,370	180,377
Other expenses		
Loss on change in fair value of portfolio investments	(340,267)	(71,225)
(Deficiency) excess of revenue over expenses	(93,897)	109,152
Net assets, beginning of year	1,533,632	1,424,480
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Net assets, end of year	1,439,735	1,533,632
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The accompanying notes are an integral part of these financial statements

**Community Futures Network of Alberta: Community Futures Lending and
Investment Pool of Alberta Fund**
Statement of Cash Flows
For the year ended March 31, 2020

	2020	2019
Cash provided by (used for) the following activities		
Operating		
(Deficiency) excess of revenue over expenses	(93,897)	109,152
Loss on change in fair value of portfolio investments	340,267	71,225
	246,370	180,377
Changes in working capital accounts		
Prepaid expenses	(1,139)	(13,662)
Accounts payable and accruals	8,611	1,734
Interest transfer payable to Community Futures Network of Alberta	25,000	-
	278,842	168,449
Financing		
Deposits from CFDCs	3,317,000	2,083,505
Withdrawals by CFDCs	(1,282,010)	(2,401,866)
	2,034,990	(318,361)
Investing		
Repayment of lines of credit receivable held in trust	205,176	568,421
Purchase of portfolio investments, net	-	(1,302,811)
Sale of portfolio investments	9,445,503	-
Purchase of portfolio investments	(11,797,794)	-
	(2,147,115)	(734,390)
Increase (decrease) in cash resources	166,717	(884,302)
Cash resources, beginning of year	39,713	924,015
Cash resources, end of year	206,430	39,713

The accompanying notes are an integral part of these financial statements

**Community Futures Network of Alberta - Community Futures Lending and Investment Pool
of Alberta Fund**
Notes to the Financial Statements
For the year ended March 31, 2020

1. Incorporation and nature of the organization

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. As well, the Organization 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. Financial statement presentation

These statements have been prepared to comply 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 does not require all the same disclosure and presentation that would be required under Canadian accounting standards for not-for-profit organizations. These statements reflect those transactions related to the Community Futures Network of Alberta - Community Futures Lending and Investment Pool of Alberta Fund's ("CFLIP") and as such do not include all assets, liabilities, revenues and expenditures related to the Community Futures Network of Alberta.

3. Significant accounting policies

The financial statements have been prepared in accordance with the Agreement referred to above, however, are in line with Canadian accounting standards for not-for-profit organizations, as stated by the Accounting Standards Board in Canada and include the following significant accounting policies:

Revenue recognition

The Organization recognizes its income from portfolio investments held in trust net of 67.43% (2019 – 64.72%) earned by the CFDCs. Income from fixed income instruments is recognized based on bond yield. Income from equity instruments is recognized on settlement dates for dividends declared. Revenue from balanced funds is recognized based on their respective components of fixed income and equities as stated above.

Interest income is recognized as revenue when earned net of 67.43% (2019 – 64.72%) of amounts earned by the CFDCs.

**Community Futures Network of Alberta - Community Futures Lending and Investment Pool
of Alberta Fund**
Notes to the Financial Statements
For the year ended March 31, 2020

3. Significant accounting policies *(continued from previous page)*

Financial instruments

The Organization recognizes its financial instruments when the Organization becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management. Financial assets and liabilities originated and issued in all other related party transactions are initially measured at their carrying or exchange amount in accordance with CPA Canada 3840 Related Party Transactions.

At initial recognition, the Organization may irrevocably elect to subsequently measure any financial instrument at fair value. The Organization has not made such an election during the year.

The Organization subsequently measures portfolio investments held in trust at fair value. Fair value is determined by published price quotations. All other financial assets and liabilities are subsequently measured at amortized cost or cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in the excess (deficiency) of revenue over expenses for the current period. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at amortized cost or cost.

Financial assets include cash, accounts receivable, portfolio investments held in trust, and lines of credit receivable held in trust.

Financial liabilities include accounts payable and accruals and amounts due to CFDCs and Western Economic Diversification.

Cash and cash equivalents

Cash and cash equivalents are balances held within Canadian banks. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

Portfolio investments

Portfolio investments with prices quoted in an active market are measured at fair value while those that are not quoted in an active market are measured at cost less impairment. Changes in fair value are recorded immediately in the excess of revenue over expenses.

Measurement uncertainty and use of estimates

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 disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Portfolio investments are stated at the published price quotations as maintained by the investment manager. Amortization is based on the estimated useful lives of capital assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in excess of revenue over expenses in the periods in which they become known.

**Community Futures Network of Alberta - Community Futures Lending and Investment Pool
of Alberta Fund**
Notes to the Financial Statements
For the year ended March 31, 2020

4. Administrative expenses

During the year, the CFNA received approval from Western Economic Diversification to transfer \$95,000 (2019 - \$105,000) from interest earned on its investment holding in CFLIP. Of the amount transferred during the year, \$14,801 (2019 – \$13,662) is carried forward to be spent in the next fiscal year. The amount is required to fund the levels of incremental operating activity approved by the Organization's board of directors.

	2020	2019
Interest transfers		
CFLIP transfer for administration	70,000	83,662
CF Board Training	-	9,000
Opportunities	-	12,338
CFLIP review	25,000	-
Prepaid administration transfer from prior year	13,662	-
Prepaid administration transfer to future year	(14,801)	(13,662)
Administrative expenses	93,861	91,338

Community Futures Network of Alberta - Community Futures Lending and Investment Pool of Alberta Fund

Notes to the Financial Statements

For the year ended March 31, 2020

5. Portfolio investments held in trust

The Community Futures Network of Alberta - Community Futures Lending and Investment Pool of Alberta Fund holds investments in trust for 27 Community Future Development Corporations. Fixed income investments include bonds and debentures with interest rates ranging from 1.65% to 4.967% (2019 - 1.65% to 4.67%) and maturity dates ranging from July 14, 2020 to August 20, 2029 (2019 – July 14, 2020 to August 20, 2029). The investments also include shareholdings of companies and other mutual funds to manage investment returns relative to market risks.

Investment Policy							
	Min %	Max %	Target %	2020 \$	2020 % of portfolio	2019 \$	2019 % of portfolio
Traditional income							
Cash amount	0%	40%	5%	649,463	3.8%	-	0.0%
Canadian bonds	10%	50%	25%	2,085,117	12.2%	3,061,242	20.3%
Preferred shares	0%	20%	10%	1,059,650	6.2%	1,447,681	9.6%
				3,794,650		4,508,923	
Non-traditional income							
Lending	0%	40%	20%	1,657,839	9.7%	1,583,401	10.5%
Agricultural	0%	40%	20%	991,285	5.8%	950,041	6.3%
Multi strategy	0%	40%	20%	2,273,119	13.3%	1,040,521	6.9%
Infrastructure	0%	40%	20%	1,794,568	10.5%	919,881	6.1%
Real estate	0%	40%	20%	1,674,930	9.8%	919,881	6.1%
				8,391,741		5,413,725	
Traditional capital appreciation							
Canadian equity	5%	30%	10%	871,647	5.1%	889,721	5.9%
US equity	0%	25%	7.5%	683,645	4.0%	286,520	1.9%
International equity	0%	25%	7.5%	427,278	2.5%	422,240	2.8%
Emerging markets	0%	15%	5%	683,645	4.0%	784,161	5.2%
				2,666,215		2,382,642	
Non-traditional capital appreciation							
Focused equity	0%	40%	20%	683,645	4.0%	663,520	4.4%
Global equity	0%	40%	20%	1,538,201	9.0%	754,000	5.0%
Fiera active trading	0%	40%	20%	-	-	679,100	4.5%
Fiera capital income	0%	40%	20%	17,091	0.1%	678,100	4.5%
				2,238,937		2,774,720	
				17,091,123	100%	15,080,010	100%

**Community Futures Network of Alberta - Community Futures Lending and Investment Pool
of Alberta Fund**
Notes to the Financial Statements
For the year ended March 31, 2020

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. The corporate prime rate was 2.45% at March 31, 2020 (2019 – 3.95%).

	2020	2019
Lines of credit due from seven CFDCs, with maximums ranging from \$950,000 to \$4,200,000, each bearing interest at the corporate prime rate per annum, receivable in monthly instalments of interest only, with balances due from September 2020 to November 2023, secured by a general security agreement and demand promissory note.	8,667,644	8,872,820

7. 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 to the members as of the year-end based on their proportionate investment in the investments held in trust. The amount payable to the individual members includes interest generated net of professional fees of the fund in proportion to their investment. This amount is classified as current due to the individual members' ability to request WD's approval to transfer amounts within the year.

The CFLIP investments are managed by CFNA. The net earnings allocated to each CFDC, is based on average balances for each CFC throughout the year. As a result, each CFDC receives its pro rata share and CFNA earns approximately 32% (2019 - 35%) of the net earnings before CFNA's administrative withdrawal from the CFLIP fund.

8. Due to Western Economic Diversification

Due to Western Economic Diversification consists of a conditionally repayable contribution to the Organization for an eligible investment fund deposit in the amount of \$7,000,000 (2019 - \$7,000,000). 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 the \$25,000,000 threshold, the Minister may, upon 30 days written notice, require CFNA 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 annum, up to a maximum of \$7,000,000 plus accrued interest.

9. Share capital

	2020	2019
Issued		
Common shares		
25 voting shares	25	25

**Community Futures Network of Alberta - Community Futures Lending and Investment Pool
of Alberta Fund**
Notes to the Financial Statements
For the year ended March 31, 2020

10. Financial instruments

The Organization as part of its operations carries a number of financial instruments. It is management's opinion that the Organization is not exposed to significant interest rate, currency or credit risks arising from these financial instruments except as otherwise disclosed.

Risk management policy

The Organization, as part of operations, has established avoidance of undue concentrations of risk and requirements for collateral to mitigate credit risk as its risk management objectives. In seeking to meet these objectives, the Organization's Board of Directors meets regularly to discuss the material risks confronting the Organization.

Credit concentration

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of accounts receivable and concentration of its portfolio investment in similar business sectors. As at March 31, 2020 four lines of credit receivable accounted for 78% (2019 – 79%) of total accounts receivable. However, the Organization believes that there is minimal risk associated with the collection of these amounts. The portfolio investment is diversified and the Organization limits the percentage of the portfolio that can be invested in any one sector or industry.

Fair value of financial instruments

Portfolio investments are carried at fair value as determined by reference to published bid prices "in an active market". The change in fair value of these financial instruments is recognized as unrealized gains (losses) on investments.

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. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. The Organization is mainly exposed to interest rate risk through its line of credit receivable.

11. Significant event

During the year, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Organization as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.