

Community Futures Network of Alberta
Financial Statements
March 31, 2019

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 Canadian accounting standards for not-for-profit organizations. 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 audit the financial statements 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 20, 2019

Original signed

Lloyd Kearl, Board Chair

To the Members of Community Futures Network of Alberta:

Opinion

We have audited the financial statements of Community Futures Network of Alberta (the "Organization"), which comprise the statement of financial position as at March 31, 2019, and the statements of operations, 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 and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2019, and the results of its operations 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:

- 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.

Calgary, Alberta

September 20, 2019

MNP LLP

Chartered Professional Accountants

Community Futures Network of Alberta

Statement of Financial Position

As at March 31, 2019

	<i>CFLIP Fund</i>	<i>CFNA Fund</i>	2019	2018
Assets				
Current				
Cash	39,713	181,546	221,259	1,082,864
Accounts receivable	-	62,271	62,271	78,223
Portfolio investments held in trust (Note 5)	15,080,010	-	15,080,010	13,436,046
Lines of credit receivable held in trust (Note 6)	8,872,820	-	8,872,820	9,441,241
Prepaid expenses	13,662	1,359	15,021	64,422
	24,006,205	254,176	24,251,381	24,102,796
Capital assets (Note 7)	-	6,362	6,362	8,048
Total Assets	24,006,205	251,538	24,257,743	24,110,844
Liabilities				
Current				
Accounts payable and accruals	30,832	59,185	90,017	107,470
Deferred contributions (Note 8)	-	34,183	34,183	111,866
Due to Community Futures Development Corporations (Note 9)	15,441,716	-	15,441,716	15,347,699
	15,472,548	93,368	15,565,916	15,567,035
Due to Western Economic Diversification (Note 10)	7,000,000	-	7,000,000	7,000,000
	22,472,548	93,368	22,565,916	22,567,035
Net Assets				
Share capital (Note 11)	25	-	25	25
Unrestricted	-	124,326	124,326	111,256
Externally restricted (Note 3)	1,533,632	-	1,533,632	1,424,480
Internally restricted (Note 12)	-	27,482	27,482	-
Invested in capital assets	-	6,362	6,362	8,048
	1,533,657	158,170	1,691,827	1,543,809
Total Liabilities and Net Assets	24,006,205	251,538	24,257,743	24,110,844

Approved on behalf of the Board

Original signed

Chair – Lloyd Kearl

Original signed

Treasurer – Vanessa Simonin

Community Futures Network of Alberta

Statement of Operations

For the year ended March 31, 2019

	<i>CFLIP Fund (Note 9)</i>	<i>CFNA Fund</i>	2019	2018
Revenue				
Administration revenue (Note 4)	-	116,135	116,135	126,041
Interest revenue from lines of credit	119,292	-	119,292	118,720
Investment income	197,640	-	197,640	227,505
Other revenue (Note 15)	-	107,511	107,511	116,896
Rental revenue	-	5,552	5,552	10,933
Western Economic Diversification contributions	-	246,253	246,253	225,732
	316,932	475,451	792,383	825,827
Expenses				
Administrative (Note 4)	91,338	-	91,338	105,000
Amortization	-	1,686	1,686	2,202
Conference expenses	-	36,040	36,040	67,563
GST expense	-	7,489	7,489	6,600
Insurance	-	3,298	3,298	1,310
Interest and bank charges	-	724	724	1,113
Marketing	-	4,550	4,550	7,250
Office	-	9,217	9,217	11,560
Office lease	-	19,407	19,407	34,963
Professional development	-	455	455	945
Professional fees	45,217	26,287	71,504	74,943
Salaries, wages and benefits	-	193,942	193,942	160,359
Telephone, fax and internet	-	11,910	11,910	10,602
Travel - board and office	-	43,337	43,337	43,907
	136,555	358,342	494,897	528,317
Excess of revenue over expenses before other operations	180,377	117,109	297,486	297,510
CFLIP project expenses (Note 16)	-	21,338	21,338	36,383
EDP Operations - Entrepreneurs with Disabilities (Note 17)	-	-	-	-
CARES (Note 18)	-	1,600	1,600	-
Elevate Operations (Note 19)	-	-	-	(86)
Pan West Operations (Note 20)	-	-	-	-
Special Projects (Note 21)	-	55,305	55,305	76,430
Excess of revenue over expenses before other items	180,377	38,866	219,243	184,783
Other revenue (expenses)				
Gain (loss) on change in fair value of financial instruments	(71,225)	-	(71,225)	(88,815)
Excess of revenue over expenses	109,152	38,866	148,018	95,968

The accompanying notes are an integral part of these financial statements

Community Futures Network of Alberta

Statement of Changes in Net Assets

For the year ended March 31, 2019

	<i>CFLIP Externally Restricted</i>	<i>CFNA Invested in Capital Assets</i>	<i>CFNA Unrestricted</i>	<i>CFNA Internally Restricted (Note 12)</i>	2019	2018
Balance, beginning of year, as previously stated	757,843	8,048	777,893	-	1,543,784	1,447,816
Correction of an error (Note 3)	666,637	-	(666,637)	-	-	-
Balance, beginning of year, as restated	1,424,480	8,048	111,256	-	1,543,784	1,447,816
Excess of revenue over expenses	109,152	-	38,866	-	148,018	95,968
Internally restricted funds	-	-	(27,482)	27,482	-	-
Amortization of capital assets	-	(1,686)	1,686	-	-	-
Balance, end of year	1,533,632	6,362	124,326	27,482	1,691,802	1,543,784

The accompanying notes are an integral part of these financial statements

Community Futures Network of Alberta

Statement of Cash Flows

For the year ended March 31, 2019

	<i>CFLIP Fund</i>	<i>CFNA Fund</i>	2019	2018
Cash provided by (used for) the following activities				
Operating				
Excess of revenue over expenses	109,152	38,866	148,018	95,968
Amortization	-	1,686	1,686	2,202
(Gain) loss on change in fair value of financial instruments	71,225	-	71,225	88,815
	180,377	40,552	220,929	186,985
Changes in working capital accounts				
Accounts receivable	-	15,952	15,952	27,558
Prepaid expenses	(13,662)	63,063	49,401	(59,031)
Accounts payable and accruals	1,734	(19,187)	(17,453)	(37,685)
Deferred contributions	-	(77,683)	(77,683)	(122,633)
	168,449	22,697	191,146	(4,806)
Financing				
Advances from CFDCs	2,083,505	-	2,083,505	2,507,202
Withdrawals by CFDCs	(2,401,866)	-	(2,401,866)	(590,000)
Purchase of portfolio investments	(1,302,811)	-	(1,302,811)	(3,764,423)
	(1,621,172)	-	(1,621,172)	(1,847,221)
Investing				
Repayment of lines of credit receivable held in trust	568,421	-	568,421	1,728,463
Increase (decrease) in cash resources	(884,302)	22,697	(861,605)	(123,564)
Cash resources, beginning of year	924,015	158,849	1,082,864	1,206,428
Cash resources, end of year	39,713	181,546	221,259	1,082,864

The accompanying notes are an integral part of these financial statements

Community Futures Network of Alberta

Notes to the Financial Statements

For the year ended March 31, 2019

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. Significant accounting policies

The financial statements have been prepared in accordance 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:

Fund accounting

In order to ensure observance of limitations and restrictions placed on the use of resources available to the Organization, the accounts are maintained on a fund accounting basis. Accordingly, resources are classified for accounting and reporting purposes into funds. These funds are held in accordance with the objectives specified by the contributors or in accordance with the directives issued by the Board of Directors.

The Organization uses the fund accounting basis. Two funds are maintained: CFNA Operating Fund and the Community Futures Lending and Investment Pool ("CFLIP") Investment Fund.

The Operating Fund is used to account for all revenue and expenses related to general and ancillary operations of Organization.

The Investment Fund administers excess funds from CFDCs and invests these funds in a pool in order to earn a rate of interest and provide loans to CFDCs where approved.

2. Significant accounting policies *(Continued from previous page)*

Revenue recognition

The Organization uses the deferral method of accounting for contributions and reports on a fund accounting basis. Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions, including project and other revenues, are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Government transfers

The Organization recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the Organization recognizes revenue as the liability is settled.

Investment income

The Organization recognizes its income from portfolio investments held in trust net of 64.72% (2018 – 62.88%) 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 64.72% (2018 – 62.88%) of amounts earned by the CFDCs.

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.

2. Significant accounting policies *(Continued from previous page)*

Capital assets

Purchased capital assets are recorded at cost.

Amortization is provided using the declining balance method at rates intended to amortize the cost of assets over their estimated useful lives.

	Rate
Computers	30 %
Furniture and fixtures	20 %
Leasehold improvements	13 %

Measurement uncertainty and use of estimates

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 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
Notes to the Financial Statements
For the year ended March 31, 2019

3. Correction of an error

During the year, it was determined that the \$666,637 of interfund advances payable from the CFLIP fund to the CFNA fund represented accumulated earnings within the CFLIP fund prior to 2008 and should be included within the Net Assets of the respective fund. Consequently, the interfund advance amounts have been reclassified to externally restricted net assets within the CFLIP fund and unrestricted net assets within the CFNA fund. The prior year comparative information has been restated to give effect to these balances.

4. Administration revenue

During the year, the CFNA received approval from Western Economic Diversification to transfer \$105,000 (2018 - \$105,000) from interest earned on its investment holding in CFLIP. These funds were to be used for CFNA Administration and special projects. During the year, CFNA only spent \$91,338 (2018 - \$105,000). This has resulted in a \$13,662 (2018 - \$nil) being deferred for the year to spent on projects during the next fiscal year. The amount is required to fund the levels of incremental operating activity approved by the Organization's board of directors.

	2019	2018
Interest transfers		
CFLIP administration	70,000	70,000
CF Board Training	9,000	-
Opportunities	12,338	-
Governance project	-	20,000
PD tool development	-	15,000
Administrative expenses (CLFIP Fund)	91,338	105,000
Entrepreneurs with disabilities program	12,000	12,000
Elevate administration	3,900	4,200
Other administration	6,897	4,841
Loan renewal fees	2,000	-
	24,797	21,041
Administrative revenue (CFNA Fund)	116,135	126,041

Community Futures Network of Alberta

Notes to the Financial Statements

For the year ended March 31, 2019

5. Portfolio investments held in trust

Community Futures Network of Alberta 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% (2018 - 1.25% to 5.65%) and maturity dates ranging from July 14, 2020 to August 20, 2029 (2018 – June 15, 2019 to March 30, 2027). The investments also include shareholdings of companies and other mutual funds to manage investment returns relative to market risks.

	Investment Policy						
	Min %	Max %	Target %	2019 \$	2019 % of portfolio	2018 \$	2018 % of portfolio
Traditional income							
Cash Amount							
Canadian bonds	0%	50%	30%	3,061,242	20.3%	2,563,309	19%
Preferred shares	0%	20%	10%	1,447,681	9.6%	1,357,749	10%
				4,508,923		3,921,058	
Non-traditional income							
Lending	0%	35%	10%	1,583,401	10.5%	1,299,576	10%
Agricultural	0%	25%	5%	950,041	6.3%	30,430	0%
Multi strategy	0%	40%	5%	1,040,521	6.9%	2,692,010	20%
Infrastructure	0%	25%	5%	919,881	6.1%	744,024	6%
Real estate	0%	25%	5%	919,881	6.1%	61,495	0%
				5,413,725		4,827,535	
Traditional capital appreciation							
Canadian equity	0%	25%	5%	889,721	5.9%	757,339	6%
US equity	0%	25%	5%	286,520	1.9%	562,483	4%
International equity	0%	25%	5%	422,240	2.8%	342,821	3%
Emerging markets	0%	10%	0%	784,161	5.2%	665,394	5%
				2,382,642		2,328,037	
Non-traditional capital appreciation							
Focused equity	0%	25%	5%	663,520	4.4%	-	-
Global equity	0%	25%	5%	754,000	5.0%	-	-
Fiera long-short	0%	25%	5%	-	-	692,987	5%
Fiera active trading	0%	25%	5%	679,100	4.5%	835,493	6%
Fiera capital income	0%	25%	5%	678,100	4.5%	830,936	6%
				2,774,720		2,359,416	
				15,080,010	100%	13,436,046	100%

Community Futures Network of Alberta

Notes to the Financial Statements

For the year ended March 31, 2019

6. Lines of credit receivable held in trust

Community Futures Network of Alberta issues lines of credit to CFDC members. The corporate prime rate was 3.95% at March 31, 2019 (2018 – 3.45%).

Lines of credit due from the respective CFDSs consist of the following:

	2019	2018
CF Centre West to a maximum of \$1,000,000 bearing interest at prime, receivable in monthly instalments of interest only, with balance due September 2020, secured by a general security agreement and a demand promissory note.	702,000	714,000
CF East Central Alberta to a maximum of \$1,750,000 bearing interest at prime, receivable in monthly instalments of interest only, with balance due November 2023, secured by a general security agreement and a demand promissory note.	1,298,159	1,298,159
CF Elk Island to a maximum of \$1,750,000 bearing interest at prime, receivable in monthly instalments of interest only, with balance due November 2023, secured by a general security agreement and a demand promissory note.	1,300,000	1,300,000
CF Grande Prairie and Region to a maximum of \$4,400,000 bearing interest at prime, receivable in monthly instalments of interest only, with balance due November 2023, secured by a general security agreement and a demand promissory note.	4,400,000	4,400,000
CF Highwood to a maximum of \$1,500,000 bearing interest at prime, receivable in monthly instalments of interest only, with balance due September 2020, secured by a general security agreement and a demand promissory note.	696,403	788,588
CF Peace Country to a maximum of \$1,000,000 bearing interest at prime, receivable in monthly instalments of interest only, with balance due October 2021, secured by a general security agreement and a demand promissory note.	100,000	250,000
CF St. Paul Smoky Lake Business Development Centre Ltd. To a maximum of \$950,000 bearing interest at prime, receivable in monthly instalments of interest only, with balance due November 2023 secured by a general security agreement and a demand promissory note.	376,258	500,000
CF West Yellowhead to a maximum of \$750,000 bearing interest at prime, receivable in monthly instalments of interest only. Principal balance paid in full in current year.	-	190,494
	8,872,820	9,441,241

Community Futures Network of Alberta

Notes to the Financial Statements

For the year ended March 31, 2019

7. Capital assets

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Computers	7,943	6,339	1,604	2,291
Furniture and fixtures	21,309	18,447	2,862	3,578
Leasehold improvements	4,068	2,172	1,896	2,179
	33,320	26,958	6,362	8,048

8. Deferred contributions

Deferred contributions consist of unspent contributions externally restricted for multiple programs. Recognition of these amounts as revenue is deferred to periods when the specified expenditures are made. Changes in the deferred contribution balance are as follows:

	Received during the year	Recognized as revenue/ transferred	2019	2018
CFLIP (i)	105,000	(91,338)	13,662	-
CARES	14,800	(52,561)	-	37,761
Pan West operations – transferred to Manitoba (ii)	-	(65,983)	-	65,983
Pan West, amounts received in advance (ii)	-	(100)	-	100
TEA Operations	-	(3,500)	-	3,500
CFNA Conference	48,687	(53,209)	-	4,522
Western Economic Diversification	266,774	(246,253)	20,521	-
	435,261	(512,944)	34,183	111,866

(i) During the year, CFNA received \$105,000 (2018 - \$105,000) from interest out of the CFLIP investment fund. These funds were to be used for CFNA administration and special projects. During the year, CFNA only spent \$91,338 (2018 - \$105,000). This has resulted in \$13,662 (2018 - \$nil) being deferred for the year to spend on projects during the next fiscal year.

(ii) Effective April 1, 2018, CFNA had agreed with the Western Economic Diversification to transfer all the amounts rebated to, prepaid expenses, and deferred revenue of the Pan West operations to Community Futures Manitoba. This transfer occurred during the current fiscal year, thereby reducing the following assets (liability/deferred revenue) as follows:

Prepaid expenses: 59,341
Deferred revenue: (66,083)
GST receivable: 6,742

As at March 31, 2019, the GST amount is included in accounts payable.

Community Futures Network of Alberta

Notes to the Financial Statements

For the year ended March 31, 2019

9. 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 demand repayment within the year.

Amounts owing to each CFDC are as follows:	Contributions	Withdrawals	Net Earnings	2019	2018
CF Alberta Southwest	-	(300,000)	48,620	1,656,904	1,908,284
CF Big Country	503,505	(453,505)	38,082	1,589,960	1,501,878
CF Capital Region	-	-	4,167	155,921	151,754
CF Central Alberta	125,000	-	21,065	816,744	670,679
CF Centre West	-	-	62	2,303	2,241
CF Chinook	-	(500,000)	29,446	831,333	1,301,887
CF Crowsnest Pass	250,000	(370,000)	23,528	839,996	936,468
CF East Parkland	-	(50,000)	3,235	118,378	165,143
CF Elk Island	-	-	7,031	263,080	256,049
CF Entre Corp	255,000	-	6,630	261,630	-
CF Highwood	-	-	28,378	1,061,789	1,033,411
CF Lac La Biche	600,000	-	7,565	607,565	-
CF Lesser Slave Lake	-	-	17,506	654,987	637,481
CF Lethbridge	-	-	4,218	157,824	153,606
CF Lloydminster and Region	-	-	16,157	604,518	588,361
CF Northwest Alberta	350,000	-	27,473	1,155,426	777,953
CF Tawatinaw	-	-	60,800	2,274,872	2,214,072
CF Wild Rose	-	-	52,211	1,953,515	1,901,304
CF West Yellowhead	-	-	9,286	347,441	338,155
CF Wood Buffalo	-	(728,361)	6,918	87,530	808,973
	2,083,505	(2,401,866)	412,378	15,441,716	15,347,699

The CFLIP investments are managed by CFNA. The net earnings, as stated above, are based on average balances for each CF throughout the year. As a result, each CF receives its pro rata share and CFNA earns approximately 35% (2018 - 39%) of the net earnings before CFNA's administrative withdrawal from the CFLIP fund.

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Notes to the Financial Statements

For the year ended March 31, 2019

10. 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 (2018 - \$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. The current balance, including CFNA's portion, net of accruals, is \$23,991,247 (2018 - \$23,771,487). 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. At year end, the pool did not exceed \$25,000,000 and management is uncertain if it will exceed \$25,000,000 within the next year.

11. Share capital

	2019	2018
Issued		
Common shares		
25 voting shares	25	25

12. Internally restricted funds

During the year, CFNA received funds for specific projects that exceeded amounts spent. As a result of the excess funds, the Board decided to internally restrict the excess amounts to deliver the same or similar projects in the future. Consequently, \$20,144 (2018 - \$nil) and \$7,338 (2018 - \$nil) has been internally restricted to pay for future conference and professional development - spring training amounts respectfully.

13. 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, 2019 one funder accounted for 85% (2018 - 74% from three funders) 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.

Community Futures Network of Alberta

Notes to the Financial Statements

For the year ended March 31, 2019

13. Financial instruments *(continued from previous page)*

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.

14. Economic dependence

A significant portion of the Organization's revenue is from government funding. The grant funding can be canceled if the Organization does not observe certain established guidelines. The Organization's ability to continue viable operations is dependent upon maintaining adherence to the criteria within the federal government guidelines. As at the date of these financial statements the Organization believes that it is in compliance with the guidelines.

15. Other revenue

	2019	2018
Conference revenue	56,842	70,919
On-line training	-	9,717
Professional development - spring training	13,762	-
Projects – other	33,266	29,247
Pan West administration - accounting	-	7,013
Summer Student (STEP) program	3,641	-
	107,511	116,896

16. CFLIP project expenses

	2019	2018
PD tool	-	14,965
Governance	-	21,418
CF Board training	9,000	-
Opportunities	12,338	-
	21,338	36,383

Community Futures Network of Alberta
Notes to the Financial Statements
For the year ended March 31, 2019

17. EDP Operations - Entrepreneurs with Disabilities

	2019	2018
Revenue		
Western Economic Diversification	150,000	175,107
Expenses		
Director's contract	50,000	40,000
GST expense	1,354	1,993
Marketing and advertising	3,436	30,046
Materials	901	1,772
Overhead	12,000	12,000
Special projects	24,575	23,750
Training	54,967	60,229
Travel and accommodations	2,767	5,317
	150,000	175,107
Excess (deficiency) of revenue over expenses	-	-

18. CARES

	2019	2018
Revenue		
Building the Capacity of Rural Alberta Business Project	52,560	188,942
Expenses		
Administration	28,980	25,680
Consulting fees	-	17,011
GST expense	1,204	4,561
Local project management	-	24,425
Marketing	15,000	91,948
Mentorship	360	8,575
Other	3,194	-
Training and coaching	4,680	16,580
Travel	742	162
	54,160	188,942
Excess (deficiency) of revenue over expenses	(1,600)	-

Community Futures Network of Alberta
Notes to the Financial Statements
For the year ended March 31, 2019

19. Elevate Operations

	2019	2018
Revenue		
Wage/benefit income	31,705	63,410
Project cost income	3,900	9,414
	35,605	72,824
Expenses		
Administration	2,100	4,200
Rental subsidy	1,800	3,600
Travel	-	1,528
Wages	31,705	63,410
	35,605	72,738
Excess (deficiency) of revenue over expenses	-	86

20. Pan West Operations

	2019	2018
Revenue		
Western Economic Diversification	-	359,500
Community Futures Leadership Institute	-	70,998
Deferred revenue from prior year	-	66,354
Deferred revenue to future year	-	(65,983)
	-	430,869
Expenses		
Administration – accounting		7,013
Administration – contract	-	82,253
Administration – rent	-	5,322
Community Futures Board Development	-	69,176
Community Futures Network of Canada	-	35,676
GST paid on purchases	-	6,742
Ministers award program	-	20,000
Overhead	-	7,983
Presentation strategy	-	11,152
Professional development	-	122,669
Strategic planning	-	2,042
Travel	-	43,423
Volunteer awards	-	12,000
Website upgrades	-	5,418
	-	430,869
Excess (deficiency) of revenue over expenses	-	-

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Notes to the Financial Statements
For the year ended March 31, 2019

21. Special Projects

	2019	<i>2018</i>
Administrative	6,466	7,941
BizStream support	15,000	18,449
Capacity building	7,222	16,635
Services	7,990	16,578
Training	18,627	16,827
	55,305	76,430

22. Certain comparative information has been reclassified to conform with the current year presentation.