

SOUTHEAST COMMUNITY FUTURES DEVELOPMENT CORPORATION

Financial Statements

Year Ended March 31, 2020

SOUTHEAST COMMUNITY FUTURES DEVELOPMENT CORPORATION

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Year Ended March 31, 2020

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INDEPENDENT AUDITORS' REPORT

To the Members of Southeast Community Futures Development Corporation

Opinion

We have audited the financial statements of Southeast Community Futures Development Corporation (the Organization), which comprise the statement of financial position as at March 31, 2020, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2020, 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 *Auditors' 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 those 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 for the year ended March 31, 2019 were audited by another auditor who expressed an unmodified opinion on those financial statements on August 19, 2019.

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 relating 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.

(continues)

Independent Auditors' Report to the Members of Southeast Community Futures Development Corporation
(continued)

Auditors' 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 auditors' 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 auditors' 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 auditors' 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.

Exchange

Chartered Professional Accountants LLP
Winnipeg, Manitoba
January 27, 2021

SOUTHEAST COMMUNITY FUTURES DEVELOPMENT CORPORATION
Statement of Financial Position
March 31, 2020

	Operating Fund 2020	Regular Repayable Investment Fund 2020	Regular Non- repayable Investment Fund 2020	Disabled Repayable Investment Fund 2020	Youth Repayable Investment Fund 2020	Total 2020	Total 2019
ASSETS							
CURRENT							
Cash	\$ 86,025	\$ 43,503	\$ 925,043	\$ 25,294	\$ 101,453	\$ 1,181,318	\$ 1,176,607
Accounts receivable	20,931	-	-	-	-	20,931	14,332
Due from Southeast Training and Development	34,559	-	-	-	-	34,559	1,775
Interest receivable (Note 5)	-	-	5,201	-	-	5,201	65,814
Goods and services tax recoverable	9,804	-	-	-	-	9,804	25,573
Prepaid expenses	-	-	-	-	-	-	2,317
Interfund	(385)	-	(9,231)	-	9,616	-	-
	150,934	43,503	921,013	25,294	111,069	1,251,813	1,286,418
	-	-	411,650	-	5,182	416,832	373,828
LOANS RECEIVABLE (Note 6)	\$ 150,934	\$ 43,503	\$ 1,332,663	\$ 25,294	\$ 116,251	\$ 1,668,645	\$ 1,660,246
LIABILITIES							
CURRENT							
Accounts payable and accrued liabilities	\$ 9,740	\$ -	\$ -	\$ -	\$ -	\$ 9,740	\$ 7,000
Due to Southeast Resource Development Council (Note 11)	7,685	-	-	-	-	7,685	5,187
	17,425	-	-	-	-	17,425	12,187
DEFERRED INCOME	72,428	-	-	-	-	72,428	72,428
REPAYABLE INVESTMENT FUNDS (Note 4)	-	32,364	-	200,000	200,000	432,364	432,364
	89,853	32,364	-	200,000	200,000	522,217	516,979
NET ASSETS							
Unrestricted	61,081	-	-	-	-	61,081	92,826
Externally restricted	-	11,139	1,332,663	(174,706)	(83,749)	1,085,347	1,050,441
	61,081	11,139	1,332,663	(174,706)	(83,749)	1,146,428	1,143,267
	\$ 150,934	\$ 43,503	\$ 1,332,663	\$ 25,294	\$ 116,251	\$ 1,668,645	\$ 1,660,246

ON BEHALF OF THE BOARD

 Director

 Director

See notes to financial statements

SOUTHEAST COMMUNITY FUTURES DEVELOPMENT CORPORATION
Statement of Operations
Year Ended March 31, 2020

	Operating Fund 2020	Regular Repayable Investment Fund 2020	Regular Non- repayable Investment Fund 2020	Disabled Repayable Investment Fund 2020	Youth Repayable Investment Fund 2020	Total 2020	Total 2019
REVENUES							
Western Economic Diversification Canada	\$ 317,483	\$ -	\$ -	\$ -	\$ -	\$ 317,483	\$ 317,483
Recovery of bad debts	-	-	22,943	-	10,000	32,943	15,221
Bank interest	2,222	604	14,903	352	1,367	19,448	14,197
Other	19,386	-	-	-	-	19,386	50,553
Loan interest	-	-	11,148	-	-	11,148	29,407
	339,091	604	48,994	352	11,367	400,408	426,861
EXPENSES							
Advertising and promotion	-	-	-	-	-	-	1,920
Bad debts	-	-	26,237	-	-	26,237	29,073
Bank and interest charges	362	21	100	44	9	536	508
CANDO conference expense	9,224	-	-	-	-	9,224	14,563
Insurance	2,546	-	-	-	-	2,546	2,211
Membership fees	3,415	-	-	-	-	3,415	3,000
Office	11,909	-	-	-	-	11,909	8,748
Other	407	-	-	-	-	407	1,388
Professional fees	10,998	-	-	-	-	10,998	8,493
Rent	37,565	-	-	-	-	37,565	36,618
Telephone	4,249	-	-	-	-	4,249	4,293
Travel	23,555	-	-	-	-	23,555	32,764
Wages and employee benefits	266,606	-	-	-	-	266,606	274,973
	370,836	21	26,337	44	9	397,247	418,552
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ (31,745)	\$ 583	\$ 22,657	\$ 308	\$ 11,358	\$ 3,161	\$ 8,309

See notes to financial statements

SOUTHEAST COMMUNITY FUTURES DEVELOPMENT CORPORATION
Statement of Changes in Net Assets
Year Ended March 31, 2020

	Operating Fund	Regular Repayable Investment Fund	Regular Non- repayable Investment Fund	Disabled Repayable Investment fund	Youth Repayable Investment Fund	2020	2019
NET ASSETS - BEGINNING OF YEAR							
As previously reported	\$ 38,551	\$ 10,556	\$ 1,310,006	\$ (175,014)	\$ (95,107)	\$ 1,088,992	\$ 1,080,683
Correction of error (Note 11)	54,275	-	-	-	-	54,275	54,275
As restated	92,826	10,556	1,310,006	(175,014)	(95,107)	1,143,267	1,134,958
Excess of revenues over expenses	(31,745)	583	22,657	308	11,358	3,161	8,309
NET ASSETS - END OF YEAR	\$ 61,081	\$ 11,139	\$ 1,332,663	\$ (174,706)	\$ (83,749)	\$ 1,146,428	\$ 1,143,267

See notes to financial statements

SOUTHEAST COMMUNITY FUTURES DEVELOPMENT CORPORATION**Statement of Cash Flows**
Year Ended March 31, 2020

	2020	2019
OPERATING ACTIVITIES		
Cash receipts from funders and other	\$ 313,251	\$ 414,411
Cash paid to suppliers and employees	(362,917)	(403,894)
Interest received	55,306	44,001
Interest paid	(538)	(510)
Cash flow from operating activities	5,102	54,008
FINANCING ACTIVITIES		
Proceeds from loans	311,134	-
Loans advanced	(311,525)	-
Cash flow from (used by) financing activities	(391)	-
INCREASE IN CASH	4,711	54,008
CASH - BEGINNING OF YEAR	1,176,607	1,122,599
CASH - END OF YEAR	\$ 1,181,318	\$ 1,176,607

See notes to financial statements

SOUTHEAST COMMUNITY FUTURES DEVELOPMENT CORPORATION

Notes to Financial Statements

Year Ended March 31, 2020

1. DESCRIPTION OF OPERATIONS

Southeast Community Futures Development Corporation is a community based organization that provides loans and financial services to small business that are otherwise unable to obtain financing. It was originally established by Bloodvein, Brokenhead Ojibway Nation, Little Grand Rapids, Buffalo Point, Hollow Water, Black River, Berens River, Poplar River, and Pauingassi First Nations for small businesses within these member First Nations and their members. The Organization was incorporated as a company without share capital under the Manitoba Corporations Act. The Organization is generally exempt from federal and provincial income taxes under the Income Tax Act in accordance with paragraph 149(1)(1).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Southeast Community Futures Development Corporation operates with most aspects of its funding subject to the control of the Government of Canada. The significant policies are explained below:

Financial Statement Presentation

These financial statements have been prepared in accordance with Part III - Accounting Standards for Not-For-Profit Organizations of the CICA Handbook - Accounting, issued by the accounting Standards Board (AcSB), using the restricted fund method of accounting for contributions.

The Operating Fund accounts for the corporation's program delivery and administration activities. This fund reports unrestricted resources and restricted operating grants.

The Investment Funds account for the investment activities to assist small businesses and entrepreneurs in the form of loans. Investment funds are segregated into repayable and non-repayable funds.

Revenue recognition

Southeast Community Futures Development Corporation follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets.

Loan and bank interest income is recognized as revenue when earned.

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SOUTHEAST COMMUNITY FUTURES DEVELOPMENT CORPORATION

Notes to Financial Statements

Year Ended March 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Repayable Investment Funds

Funds received from Western Economic Diversification Canada for investment purposes are recognized as liabilities when received.

Any unencumbered cash balances in each of the Repayable Investment Funds on March 31, 2020 will be repaid to Western Economic Diversification Canada. In addition, all subsequent principal collections on loans will be repaid to Western Economic Diversification Canada until the amount of each original Repayable Investment Fund is fully repaid.

When the original amount of each Repayable Investment Fund contribution has been fully repaid, one-half of the remaining assets of each Repayable Investment Fund shall be repaid to Western Economic Diversification Canada. However, if the realizable assets are insufficient to repay the full amount of each Repayable Investment Fund contribution, the organization's requirement to repay the full amount will be terminated once the full value of the assets credited to each Repayable Investment Fund is paid to Western Economic Diversification Canada.

Loans Receivable

Loans receivable are stated net of an allowance for loan impairment and net of any unearned interest. Interest income is recorded on an accrual basis unless the loan is classified as an impaired loan

Loans receivable are considered to be impaired when, in management's opinion, there is reasonable doubt as to the ultimate collectability of some portion of the principal or interest. When a loan is classified as impaired, recognition of the interest in accordance with the original loan agreement ceases. Subsequent payments of interest or principal received on an impaired loan are recorded as a reduction of the recorded investment in the loan. Interest is recognized only when all allowances for the loan impairment have been reversed.

Impaired loans are recorded at their estimated realizable amounts.

Allowance for Loan Impairment

The allowance for loan impairment is maintained at an amount considered adequate to absorb anticipated credit related losses. This account is increased by the provision for impaired losses, charged to income in the case of non-repayable Investment Fund loans or to the liability in the case of repayable Investment Fund loans, and reduced by write-offs, net of recoveries

Use of Estimates

The preparation of financial statements in accordance 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 revenues and expenditures for the year then ended. Actual results may differ from the organization's best estimates as additional information becomes available in the future. Accounts requiring estimates and assumptions include accounts receivable, accounts payable and accrued liabilities, loans receivable and allowance for loan impairments, and deferred contributions.

Financial instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

SOUTHEAST COMMUNITY FUTURES DEVELOPMENT CORPORATION

Notes to Financial Statements

Year Ended March 31, 2020

3. FINANCIAL INSTRUMENTS

The organization is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the organization's risk exposure and concentration as of March 31, 2020.

(a) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The organization is exposed to credit risk from customers. In order to reduce its credit risk, the organization reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The organization has a significant number of customers which minimizes concentration of credit risk.

(b) 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. In seeking to minimize the risks from interest rate fluctuations, the organization manages exposure through its normal operating and financing activities. The organization is exposed to interest rate risk primarily through its loans receivable.

Unless otherwise noted, it is management's opinion that the organization is not exposed to significant other price risks arising from these financial instruments.

4. DESCRIPTION OF FUNDS

The unrestricted Operating Fund records the operating activities of the Corporation.

Externally Restricted Funds:

(a) Youth Investment Fund

The Corporation received a repayable Youth Investment Fund contribution of \$200,000 from Western Economic Diversification Canada to be used in the provision of loans, loan guarantees and equity investments to businesses owned by persons under the age of 29 years. The maximum amount of the loan is not to exceed \$25,000 for a term not exceeding 5 years. The minimum rate of interest will not normally be less than the prime rate plus two percent.

(b) Disabled Investment Fund

The Corporation received a repayable Disabled Investment Fund contribution of \$200,000 from Western Economic Diversification Canada to be used in the provision of loans, loan guarantees and equity investments to businesses owned by persons with disabilities. The maximum amount of the loan is not to exceed \$150,000 for a term not exceeding 5 years. The minimum rate of interest will not normally be less than the prime rate plus two percent.

(c) Regular Repayable Investment Fund

The Corporation received a Regular Repayable Investment Fund contribution of \$32,364 from Western Economic Diversification Canada to be used in the provision of loans, loan guarantees and equity investments in a new business or expansion of an existing business. The maximum amount of the loan is not to exceed \$150,000 for a term not exceeding 5 years. The minimum rate of interest will not normally be less than the prime rate plus two percent.

SOUTHEAST COMMUNITY FUTURES DEVELOPMENT CORPORATION

Notes to Financial Statements

Year Ended March 31, 2020

5. INTEREST RECEIVABLE

	2020	2019
Gross Interest Receivable	\$ 38,164	\$ 65,814
Provision for losses	(32,963)	-
	<u>\$ 5,201</u>	<u>\$ 65,814</u>

6. LOANS RECEIVABLE

	2020	2019
Gross loans receivable	\$ 762,446	\$ 931,629
Provision for losses	(345,614)	(557,801)
	<u>\$ 416,832</u>	<u>\$ 373,828</u>

7. ECONOMIC DEPENDENCE

The Corporation receives the majority of its funding from the Government of Canada represented by the minister of Western Economic Diversification Canada. The Corporation's ability to continue viable operations is dependant upon this funding.

8. CONTINGENT LIABILITIES

The organization receives funding from various government agencies based on specific budgeted program needs and allocates certain expenditures to the various programs. In many cases the funding agency has the right to review accounting records to ensure compliance with the terms and conditions of their funding agreements. At this time, no estimate of the requirements, if any, to reimburse the agencies can be made. Management feels that their allocations of expenditures are fair and accurate in the circumstances.

During the 2020 fiscal year, after discussions with Southeast Resource Development Council (SERDC), management of the organization made the decision to eliminate certain historical amounts owing to SERDC from their accounting records. Management has advised us that both parties are not certain what these amounts represent or relate to and management deems its unlikely that they will have to pay the amounts to SERDC.

9. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

10. PENSION PLAN

The organization maintains a defined contribution pension plan for most of its employees. All contributions are fully funded on a monthly basis and are included in salaries and benefits expenditures. Funds are held "in trust" at London Life Insurance Company. The plan is in compliance and is in good standing with the provisions of the Pension Benefit Standards Act and the Income Tax Act of Canada.

SOUTHEAST COMMUNITY FUTURES DEVELOPMENT CORPORATION

Notes to Financial Statements

Year Ended March 31, 2020

11. CORRECTION OF ERROR

During the current year, it was determined that certain amounts recorded as owing to Southeast Resource Development Council were over-stated for several years. Therefore, a prior period adjustment was required. As a result, the previously presented figures for the year ended March 31, 2019 have changed by the following:

- Due to Southeast Resource Development Council has decreased by \$54,275
 - Opening Unrestricted Net Assets has increased by \$54,275
-