

SOUTHEAST COMMUNITY FUTURES DEVELOPMENT CORPORATION

Financial Statements

Year Ended March 31, 2021

SOUTHEAST COMMUNITY FUTURES DEVELOPMENT CORPORATION

Index to Financial Statements

Year Ended March 31, 2021

	Page
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3 - 4
Statement of Operations	5
Statement of Changes in Net Assets	6
Statement of Cash Flows	7
Notes to Financial Statements	8 - 12

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, 2021, 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, 2021, 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.

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)

Exchange Chartered Professional Accountants LLP

1-554 St. Mary's Road, Winnipeg, MB R2M 3L5
Telephone: (204) 943-4584 Fax: (204) 957-5195
E-mail: info@exg.ca Website: www.exg.ca

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
September 22, 2021

SOUTHEAST COMMUNITY FUTURES DEVELOPMENT CORPORATION
Statement of Financial Position
March 31, 2021

	Operating Fund 2021	Regular Repayable Investment Fund 2021	Regular Non- repayable Investment Fund 2021	Disabled Repayable Investment Fund 2021	Youth Repayable Investment Fund 2021	Indigenous Business Stabilization Program 2021	Total 2021	Total 2020
ASSETS								
CURRENT								
Cash	\$ 259,331	\$ 43,503	\$ 1,103,018	\$ 25,294	\$ 106,449	\$ 120,521	\$ 1,658,116	\$ 1,181,318
Accounts receivable	4,250	-	-	-	-	-	4,250	20,931
Due from Southeast Training and Development	247	-	-	-	-	-	247	34,559
Interest receivable (Note 5)	-	-	3,932	-	-	-	3,932	5,201
Goods and services tax recoverable	7,586	-	-	-	-	-	7,586	9,804
Prepaid expenses	1,980	-	-	-	-	-	1,980	-
Interfund	(75,569)	-	(9,412)	-	9,797	75,184	-	-
	197,825	43,503	1,097,538	25,294	116,246	195,705	1,676,111	1,251,813
	-	-	282,452	-	-	550,000	832,452	416,832
LOANS RECEIVABLE (Note 6)								
	\$ 197,825	\$ 43,503	\$ 1,379,990	\$ 25,294	\$ 116,246	\$ 745,705	\$ 2,508,563	\$ 1,668,645

See notes to financial statements

SOUTHEAST COMMUNITY FUTURES DEVELOPMENT CORPORATION
Statement of Financial Position
March 31, 2021

	Operating Fund 2021	Regular Repayable Investment Fund 2021	Regular Non- repayable Investment Fund 2021	Disabled Repayable Investment Fund 2021	Youth Repayable Investment Fund 2021	Indigenous Business Stabilization Program 2021	Total 2021	Total 2020
LIABILITIES								
CURRENT								
Accounts payable and accrued liabilities	\$ 75,508	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75,508	\$ 9,740
Due to Southeast Resource Development Council	8,890	-	-	-	-	-	8,890	7,685
	84,398	-	-	-	-	-	84,398	17,425
DEFERRED REVENUE (Note 2)	45,971	-	-	-	-	135,705	181,676	72,428
REPAYABLE INVESTMENT FUNDS (Note 4)	-	32,364	-	200,000	200,000	-	432,364	432,364
DUE TO NACCA (Note 9)	-	-	-	-	-	610,000	610,000	-
	130,369	32,364	-	200,000	200,000	745,705	1,308,438	522,217
NET ASSETS								
Unrestricted	67,456	-	-	-	-	-	67,456	61,081
Externally restricted	-	11,139	1,379,990	(174,706)	(83,754)	-	1,132,669	1,085,347
	67,456	11,139	1,379,990	(174,706)	(83,754)	-	1,200,125	1,146,428
	\$ 197,825	\$ 43,503	\$ 1,379,990	\$ 25,294	\$ 116,246	\$ 745,705	\$ 2,508,563	\$ 1,668,645

ON BEHALF OF THE BOARD

Director

SOUTHEAST COMMUNITY FUTURES DEVELOPMENT CORPORATION
Statement of Operations
Year Ended March 31, 2021

	Operating Fund 2021	Regular Repayable Investment Fund 2021	Regular Non- repayable Investment Fund 2021	Disabled Repayable Investment Fund 2021	Youth Repayable Investment Fund 2021	Indigenous Business Stabilization Program 2021	Total 2021	Total 2020
REVENUES								
Western Economic Diversification Canada	\$ 317,483	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 317,483	\$ 317,483
Other	35,480	-	-	-	-	-	35,480	19,386
Loan interest	-	-	24,023	-	-	-	24,023	11,148
Recovery of bad debts	-	-	23,424	-	-	-	23,424	32,943
Bank interest	-	-	-	-	-	-	-	19,448
IBSP loan revenue	-	-	-	-	-	32,905	32,905	-
	352,963	-	47,447	-	-	32,905	433,315	400,408
EXPENSES								
Bad debts	-	-	-	-	-	-	-	26,237
Bank and interest charges	315	-	120	-	5	479	919	536
CANDO conference expense	-	-	-	-	-	-	-	9,224
Insurance	2,292	-	-	-	-	-	2,292	2,546
Membership fees	3,000	-	-	-	-	-	3,000	3,415
Office	11,731	-	-	-	-	4,211	15,942	11,909
Other	2,275	-	-	-	-	-	2,275	407
Professional fees	14,409	-	-	-	-	2,000	16,409	10,998
Rent	38,509	-	-	-	-	-	38,509	37,565
Telephone	4,535	-	-	-	-	500	5,035	4,249
Travel	4,286	-	-	-	-	-	4,286	23,555
Wages and employee benefits	265,236	-	-	-	-	25,715	290,951	266,606
	346,588	-	120	-	5	32,905	379,618	397,247
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ 6,375	\$ -	\$ 47,327	\$ -	\$ (5)	\$ -	\$ 53,697	\$ 3,161

SOUTHEAST COMMUNITY FUTURES DEVELOPMENT CORPORATION
Statement of Changes in Net Assets
Year Ended March 31, 2021

	Operating Fund	Regular Repayable Investment Fund	Regular Non- repayable Investment Fund	Disabled Repayable Investment fund	Youth Repayable Investment Fund	Indigenous Business Stabilization Program	2021	2020
NET ASSETS - BEGINNING OF YEAR	\$ 61,081	\$ 11,139	\$ 1,332,663	\$ (174,706)	\$ (83,749)	\$ -	\$ 1,146,428	\$ 1,143,267
Excess of revenues over expenses	6,375	-	47,327	-	(5)	-	53,697	3,161
NET ASSETS - END OF YEAR	\$ 67,456	\$ 11,139	\$ 1,379,990	\$ (174,706)	\$ (83,754)	\$ -	\$ 1,200,125	\$ 1,146,428

See notes to financial statements

SOUTHEAST COMMUNITY FUTURES DEVELOPMENT CORPORATION**Statement of Cash Flows**
Year Ended March 31, 2021

	2021	2020
OPERATING ACTIVITIES		
Cash receipts from funders and other	\$ 548,327	\$ 313,251
Cash paid to suppliers and employees	(313,709)	(362,917)
Interest received	36,333	55,306
Interest paid	(916)	(538)
Cash flow from operating activities	<u>270,035</u>	<u>5,102</u>
FINANCING ACTIVITIES		
IBSP loan proceeds	880,000	-
IBSP loans advanced	(820,000)	-
Proceeds from loans	202,773	311,134
Loans advanced	(56,010)	(311,525)
Cash flow from (used by) financing activities	<u>206,763</u>	<u>(391)</u>
INCREASE IN CASH	476,798	4,711
CASH - BEGINNING OF YEAR	<u>1,181,318</u>	<u>1,176,607</u>
CASH - END OF YEAR	<u>\$ 1,658,116</u>	<u>\$ 1,181,318</u>

See notes to financial statements

SOUTHEAST COMMUNITY FUTURES DEVELOPMENT CORPORATION

Notes to Financial Statements

Year Ended March 31, 2021

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.

(continues)

SOUTHEAST COMMUNITY FUTURES DEVELOPMENT CORPORATION

Notes to Financial Statements

Year Ended March 31, 2021

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, 2021 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, 2021

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, 2021.

(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 and the regular non-repayable Investment Fund record the operating activities of the Corporation.

Externally Restricted Funds:

(a) Youth Repayable 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 Repayable 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, 2021

5. INTEREST RECEIVABLE

	2021	2020
Gross Interest Receivable	\$ 16,416	\$ 38,164
Provision for losses	(12,484)	(32,963)
	<u>\$ 3,932</u>	<u>\$ 5,201</u>

6. LOANS RECEIVABLE

	2021	2020
Gross loans receivable	\$ 532,444	\$ 762,446
Provision for losses	(249,992)	(345,614)
IBSP loans	550,000	-
	<u>\$ 832,452</u>	<u>\$ 416,832</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. DUE TO NACCA

During the year, the Corporation entered into an agreement with the National Aboriginal Capital Corporations Association to administer Indigenous Business Stabilization Program Emergency Loans ("IBSP"). The amount due to the National Aboriginal Capital Corporations Association represents funds advanced to the Corporation that have not been disbursed as Emergency Loans, and any funds not disbursed by March 31, 2021 are due back to the National Aboriginal Capital Corporations Association.

SOUTHEAST COMMUNITY FUTURES DEVELOPMENT CORPORATION

Notes to Financial Statements

Year Ended March 31, 2021

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.

11. COVID-19

Reactions and restrictions to Coronavirus (COVID-19) continue to evolve and change regularly. Management of the organization continues to maintain operations where possible, while looking out for the needs and safety of their clients and employees.

Operations in the historical financial statements, as presented, do not give rise to potential going-concern issues. However, given the uncertainties on the economy, management cannot predict the effect that this will have on their future operations or cash flows.
