

LAC LA BICHE REGIONAL COMMUNITY
DEVELOPMENT CORPORATION
(O/A - COMMUNITY FUTURES LAC LA BICHE)

FINANCIAL STATEMENTS

MARCH 31, 2019

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AUDITOR'S REPORT

To the Directors of:
Lac La Biche Regional Community
Development Corporation

I have audited the accompanying financial position of Lac La Biche Regional Community Development Corporation as at March 31, 2019 and the related statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with Canadian generally accepted accounting principles and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

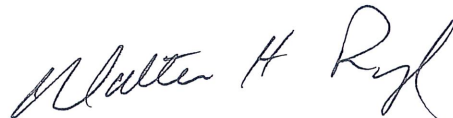
Auditor's Responsibility - Continued

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of The Lac La Biche Regional Community Development Corporation as at March 31, 2019 and its financial performance and its cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.



Lac La Biche, Alberta
June 19, 2019

CHARTERED PROFESSIONAL ACCOUNTANT

LAC LA BICHE REGIONAL COMMUNITY
DEVELOPMENT CORPORATION
(O/A - COMMUNITY FUTURES LAC LA BICHE)
BALANCE SHEET
AS AT MARCH 31, 2019

ASSETS

	GENERAL FUNDS	LOAN INVESTMENT FUNDS FUNDS	REPAYABLE	TOTAL 2019	TOTAL 2018
CASH AND TERM DEPOSITS	\$ 256,806	\$1,817,892	\$ -	\$2,074,698	\$2,284,564
INVESTMENTS (Note 2)	816	-	-	816	816
ACCOUNTS RECEIVABLE	3,241	-	-	3,241	28,143
INVESTMENT LOANS RECEIVABLE (Note 4)	-	4,753,672	365,047	5,118,719	5,623,116
COMMUNITY FUTURE NETWORK FUND	-	607,566	-	607,566	-
DUE FROM (TO) INVESTMENT FUNDS	-	(264,982)	264,982	-	-
PROPERTY, EQUIPMENT (Notes 2, 3)	<u>204,749</u>	<u>-</u>	<u>-</u>	<u>204,749</u>	<u>220,230</u>
	<u>\$ 465,612</u>	<u>\$6,914,148</u>	<u>\$ 630,029</u>	<u>\$8,009,789</u>	<u>\$8,156,869</u>

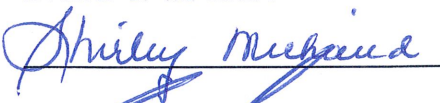
LIABILITIES

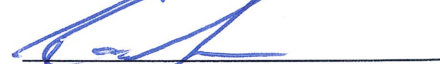
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	\$ 31,476	\$ -	\$ -	\$ 31,476	\$ 28,523
OTHER PAYABLES (Note 6)	-	154,407	-	154,407	164,377
WORKFORCE INITIATIVE FUNDS	-	-	-	-	82,482
DEFERRED REVENUES	118,119	-	-	118,119	27,153
DUE TO (FROM) OPERATING FUNDS	(21,833)	21,833	-	-	-
ADVANCES FROM WESTERN ECONOMIC DIVERSIFICATION (Note 5)	<u>-</u>	<u>-</u>	<u>480,315</u>	<u>480,315</u>	<u>470,629</u>
	<u>127,762</u>	<u>176,240</u>	<u>480,315</u>	<u>784,317</u>	<u>773,164</u>

FUND BALANCES

INVESTMENT IN LONG LIVED ASSETS	204,749	-	-	204,749	220,230
RESTRICTED FUNDS	-	6,737,908	149,714	6,887,622	7,067,929
UNRESTRICTED FUNDS	<u>133,101</u>	<u>-</u>	<u>-</u>	<u>133,101</u>	<u>95,546</u>
	<u>337,850</u>	<u>6,737,908</u>	<u>149,714</u>	<u>7,225,472</u>	<u>7,383,705</u>
	<u>\$ 465,612</u>	<u>\$6,914,148</u>	<u>\$ 630,029</u>	<u>\$8,009,789</u>	<u>\$8,156,869</u>

APPROVED BY THE BOARD:

 Director

 Director

LAC LA BICHE REGIONAL COMMUNITY
DEVELOPMENT CORPORATION
(O/A - COMMUNITY FUTURES LAC LA BICHE)
INCOME AND EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2019

	<u>GENERAL</u>	<u>LOAN FUNDS</u>	<u>TOTAL 2019</u>	<u>TOTAL 2018</u>
REVENUE				
Western Economic Diversification grant	\$ 294,963	\$ -	\$ 294,963	\$ 294,965
Transfer from loan investment funds	79,369	(79,369)	-	-
Loan interest	-	324,693	324,693	347,037
Investment income	4,487	45,860	50,347	23,618
Other income (Note 7)	<u>100,975</u>	<u>-</u>	<u>100,975</u>	<u>196,473</u>
	<u>479,794</u>	<u>291,184</u>	<u>770,978</u>	<u>862,093</u>
EXPENDITURES				
Salaries and employee benefits	253,234	-	253,234	354,421
Professional expenses				
Accounting, audit, legal fees	14,348	-	14,348	7,479
Training and education	5,777	-	5,777	13,541
Management consulting fees	7,500	-	7,500	1,500
Administration				
Special projects - marketing	77,798	-	77,798	105,477
Building occupancy costs (Note 9)	30,989	-	30,989	50,245
Office	13,857	-	13,857	13,513
Board expenses	6,758	-	6,758	7,308
Travel	10,276	-	10,276	6,069
Vehicle lease costs (Note 11)	-	-	-	5,128
Telephone and communications	5,424	-	5,424	4,439
Advertising and promotion	6,926	-	6,926	3,701
Equipment rental	1,655	-	1,655	1,953
GST expense - non rebate portion (Note 2)	801	-	801	1,918
Insurance	1,612	-	1,612	1,310
Postage, delivery	1,672	-	1,672	571
Bank charges and interest	488	26	514	549
Memberships, licenses, dues, subscriptions	503	-	503	549
Marketing and visibility	500	-	500	350
Loan receivable recoveries	-	-	-	-
Bad debts	<u>-</u>	<u>471,465</u>	<u>471,465</u>	<u>246,848</u>
	<u>440,118</u>	<u>471,491</u>	<u>911,609</u>	<u>826,869</u>
NET INCOME FROM OPERATIONS	39,676	(180,307)	(140,631)	35,224
AMORTIZATION (Note 2)	<u>(17,602)</u>	<u>-</u>	<u>(17,602)</u>	<u>(17,939)</u>
NET INCOME (LOSS)	<u>\$ 22,074</u>	<u>(180,307)</u>	<u>\$ (158,233)</u>	<u>\$ 17,285</u>

LAC LA BICHE REGIONAL COMMUNITY
DEVELOPMENT CORPORATION
(O/A - COMMUNITY FUTURES LAC LA BICHE)
CHANGES IN FUND BALANCES - OPERATING
FOR THE YEAR ENDED MARCH 31, 2019

		INVESTED			
		IN			
		LONG LIVED		TOTAL	TOTAL
		<u>ASSETS</u>	<u>UNRESTRICTED</u>	<u>2019</u>	<u>2018</u>
BALANCE, OPENING	\$ 220,230	\$ 95,546	\$ 315,776	\$ 340,121	
NET INCOME	-	22,074	22,074	(24,345)	
AMORTIZATION EXP.	(17,602)	17,602	-	-	
PURCHASE OF CAPITAL					
ASSETS	<u>2,121</u>	<u>(2,121)</u>	<u>-</u>	<u>-</u>	
BALANCE CLOSING	<u>\$ 204,749</u>	<u>\$ 133,101</u>	<u>\$ 337,850</u>	<u>\$ 315,776</u>	

LAC LA BICHE REGIONAL COMMUNITY
DEVELOPMENT CORPORATION
(O/A - COMMUNITY FUTURES LAC LA BICHE)
CHANGES IN FUND BALANCES - INVESTMENT
FOR THE YEAR ENDED MARCH 31, 2019

	LOAN INVESTMENT FUNDS		TOTAL	TOTAL
	<u>FUNDS</u>	<u>REPAYABLE</u>	<u>2019</u>	<u>2018</u>
REVENUE				
Loan interest	\$ 315,006	\$ 19,372	\$ 334,378	\$ 358,867
Investment income	<u>45,860</u>	<u>-</u>	<u>45,860</u>	<u>21,115</u>
	<u>360,866</u>	<u>19,372</u>	<u>380,238</u>	<u>379,982</u>
EXPENSES				
Interest and bank charges	25	-	25	64
Legal and loan fees	-	-	-	1,979
Transfers to general fund operations	79,369	-	79,369	79,000
Loan receivable recovery costs	-	-	-	-
To investment repayable fund	-	9,686	9,686	11,830
Provision for investment losses (Note 6)	<u>471,465</u>	<u>-</u>	<u>471,465</u>	<u>245,479</u>
	<u>550,859</u>	<u>9,686</u>	<u>560,545</u>	<u>338,352</u>
NET INCOME	(189,993)	9,686	(180,307)	41,630
FUND BALANCES, Beginning of year	<u>6,927,901</u>	<u>140,028</u>	<u>7,067,929</u>	<u>7,026,299</u>
FUND BALANCES, End of year	<u>\$ 6,737,908</u>	<u>\$ 149,714</u>	<u>\$ 6,887,622</u>	<u>\$ 7,067,929</u>

LAC LA BICHE REGIONAL COMMUNITY
DEVELOPMENT CORPORATION
(O/A - COMMUNITY FUTURES LAC LA BICHE)
CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2019

	GENERAL FUNDS	LOAN INVESTMENT FUNDS	TOTAL 2019	TOTAL 2018
SOURCES OF CASH				
Western Economic Diversification	\$ 294,963	\$ -	\$ 294,963	\$ 294,963
Other income and deferred revenues	283,659	-	283,659	189,921
Syndication loan advances	-	-	-	-
Investment income	4,487	370,552	375,039	371,305
Transfers between funds	(92,037)	92,037	-	-
CFLIP investment funds	-	-	-	48,924
Investment loan repayments	-	2,308,629	2,308,629	2,540,945
	<u>491,072</u>	<u>2,771,218</u>	<u>3,262,290</u>	<u>3,446,058</u>
USES OF CASH				
Salaries and benefits	253,234	-	253,234	354,421
Materials and services	169,539	-	169,539	303,811
CFLIP investment advance	-	607,566	607,566	-
Interest and bank charges	488	26	514	549
Purchase of capital assets	2,121	-	2,121	-
Syndication loan repayments	-	9,970	9,970	2,587
Investment loan advances	-	2,429,212	2,429,212	1,856,711
	<u>425,382</u>	<u>3,046,774</u>	<u>3,472,156</u>	<u>2,518,079</u>
NET INCREASE (DECREASE) IN CASH	65,690	(275,556)	(209,866)	927,979
CASH, Beginning of year	<u>191,116</u>	<u>2,093,448</u>	<u>2,284,564</u>	<u>1,356,585</u>
CASH, End of year	<u>\$ 256,806</u>	<u>\$ 1,817,892</u>	<u>\$ 2,074,698</u>	<u>\$ 2,284,564</u>

LAC LA BICHE REGIONAL COMMUNITY
DEVELOPMENT CORPORATION
(O/A - COMMUNITY FUTURES LAC LA BICHE)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

1. NATURE OF OPERATIONS

The corporation is a non-profit organization which may receive funding, on a contractual basis, from all levels of Government, to implement the region's community economic development and strategic planning initiatives. As a non-profit organization, the corporation is exempt from income taxes under the Income Tax Act (Canada).

2. SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF ACCOUNTING

These financial statements have been prepared in accordance with Canadian accounting standards for Not-for-Profit Organizations.

The corporation follows the restricted method of accounting for contributions.

The General Fund accounts for the corporation's operating costs and general revenues. This fund reports unrestricted resources and restricted operating grants.

The Loan Investment Funds report restricted resources that are to be used for assistance to small businesses and entrepreneurs in the form of loans, loan guarantees or equity participation. Loans from the Loan Investment Fund for the Disabled and the Loan Investment Fund for Youth are limited to businesses owned and operated by disabled and youth entrepreneurs respectively. The organization is restricted in the types of loans that can be made according to its agreement with the federal government.

B. MANAGEMENT ESTIMATES

The precise determination of many assets and liabilities is dependent on future events. As a result, the preparation of financial statements for a period involves the use of estimates and approximations which have been made using careful judgment. Actual results could differ from those estimates and approximations. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies.

LAC LA BICHE REGIONAL COMMUNITY
DEVELOPMENT CORPORATION
(O/A - COMMUNITY FUTURES LAC LA BICHE)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES - Continued

C. PROPERTY, EQUIPMENT

Property and equipment is recorded at cost. Amortization is provided on the straight-line method over the estimated useful lives of the assets as follows:

Furniture and equipment	- 20%
Computer software	- 33 1/3%
Building/Improvements	- 4%

In the year of acquisition, amortization is provided for at one half of the normal rates. When capital assets are disposed, the cost of the asset and related accumulated amortization are removed from the accounts and any resulting gain or loss is reflected in operations. No amortization is recorded in the year of disposition.

D. GOODS AND SERVICE TAX

The corporation accounts for goods and services tax on an exclusive basis. Under this method all expenditures are stated exclusive of goods and services tax. G.S.T. expense is shown net of G.S.T. rebates received.

E. INVESTMENTS

The Corporation owns 201.70 common shares of Sunlife Financial, as a result of demutualization. These marketable securities have been recorded at a nominal value of \$1 per share. Present market value of these shares is approximately \$11,001.

F. REVENUE RECOGNITION

Revenue from investment loan receivable are recognized on an accrual basis. No interest is accrued on loans when collection is considered doubtful.

Operating fund revenues are recognized as earned based on the terms of the funding agreements. Deferred revenues consist of funds received under such agreements for which related expenses have not been incurred. They will be recognized as revenue in the year in which the related expenses are incurred.

All other revenues with respect to services and rental incomes are recognized when such services are performed.

LAC LA BICHE REGIONAL COMMUNITY
DEVELOPMENT CORPORATION
(O/A - COMMUNITY FUTURES LAC LA BICHE)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

G. FINANCIAL INSTRUMENTS

The organization initially measures its financial assets and liabilities at cost adjusted by the amount of transaction costs directly attributable to the instrument. Amounts due to and from related parties are measured at the exchange amount, being the amount agreed on by the related parties.

The organization subsequently measures its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset, a write-down is recognized in operations.

3. PROPERTY AND EQUIPMENT

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net 2019</u>	<u>Net 2018</u>
Land	\$ 115,920	\$ -	\$ 115,920	\$ 115,920
Building	367,469	294,592	72,877	87,576
Furniture & equip.	38,265	32,567	5,698	4,735
Computer software	7,600	6,349	1,251	1,877
Leasehold improvement	<u>31,168</u>	<u>22,165</u>	<u>9,003</u>	<u>10,122</u>
	<u>\$ 560,422</u>	<u>\$ 355,673</u>	<u>\$ 204,749</u>	<u>\$ 220,230</u>

LAC LA BICHE REGIONAL COMMUNITY
DEVELOPMENT CORPORATION
(O/A - COMMUNITY FUTURES LAC LA BICHE)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

4. INVESTMENT LOANS RECEIVABLE AND ALLOWANCE FOR CREDIT LOSS

The corporation has a portfolio of 84 loans, bearing interest rates from 4.7 to 8.2%. The loans are secured by general security agreements, personal guarantees and land mortgages. The loans are due at various dates through 2023.

An allowance for losses on investment loans is made based on expected loan default rates, potential loss ratios and review of loans portfolio, as determined by management, as follows:

	<u>TOTAL</u> <u>LOANS</u>	<u>ACCRUED</u> <u>INTEREST</u>	<u>PROVISION</u> <u>FOR CREDIT</u> <u>LOSSES</u>	<u>NET</u> <u>LOANS</u>
Loan Investment Funds:				
Non-repayable	\$ 5,062,874	\$ 45,798	\$ (355,000)	\$ 4,753,672
Repayable	363,346	1,701	-	365,047
	<u>\$ 5,426,220</u>	<u>\$ 47,499</u>	<u>\$ (355,000)</u>	<u>\$ 5,118,719</u>

Actual writeoffs, net of recoveries, have been provided for in the statement of income and changes in fund balances. The provision for credit losses is sufficient to keep the balance in the allowance for credit losses adequate to absorb additional credit related losses.

Management regularly reviews the status of these loans, including identifying payments in arrears, available security, financial results of the loan recipients, current economic trends and other relevant information to make a judgment in evaluating the adequacy of the provision for credit losses.

LAC LA BICHE REGIONAL COMMUNITY
DEVELOPMENT CORPORATION
(O/A - COMMUNITY FUTURES LAC LA BICHE)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

5. REPAYABLE INVESTMENT FUNDS

Repayable investment funds consist of contributions of \$200,000 to implement the Youth Investment Fund program; and \$200,000 to implement a Disabled Entrepreneurs Investment Fund, both funds sponsored by Western Economic Diversification - Canada. The terms and conditions of these funds have been amended by the Department of Western Economic Development, such that these funds are repayable if any of the following conditions occur:

i) The Conditionally Repayable Investments Funds are not administered to the terms and conditions specified in the agreement; or

ii) Based on reviews and evaluations of the operations and the Repayable Investment Funds, the repayable investment funds are not providing a satisfactory level of benefits in terms of employment creation, the development of Community owned or controlled businesses, and strengthening of the Western Canadian economy; or

iii) In the opinion of Minister, the repayable investment funds are no longer necessary or relevant to the development of the Western Canadian economy; or

iv) The Agreement is terminated as described in Section 12; or

v) An event of default occurs as described in Section 7 of the Agreement; or

Repayable balances are calculated as follows:

	<u>YOUTH</u>	<u>DISABILITY</u>	<u>TOTAL</u>
Fund advances	\$ 200,000	\$ 200,000	\$ 400,000
Bad debt written off	(31,692)	(10,446)	(42,138)
50% of interest	76,870	35,897	112,767
Balance, March 31, 2018	245,178	225,451	470,629
Bad debts March 31, 2019	-	-	-
Current year interest	8,424	1,262	9,686
Balance, March 31, 2019	<u>\$ 253,602</u>	<u>\$ 226,713</u>	<u>\$ 480,315</u>

LAC LA BICHE REGIONAL COMMUNITY
DEVELOPMENT CORPORATION
(O/A - COMMUNITY FUTURES LAC LA BICHE)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

6. OTHER PAYABLES

Other payables of \$154,407 represent amounts owing to the St Paul Community Futures office. These amounts are the result of a syndication loan agreement in which the St Paul Community Futures has assumed 50% of a loan agreement with the corporation. The St Paul Community Futures office will receive 50% of all principal and interest payments on this loan until it is paid in full.

7. OTHER INCOME

Other income is comprised of:	<u>2019</u>	<u>2018</u>
Special project marketing	\$ 10,687	\$ 114,118
Rent	15,200	19,400
Loan application fees, commissions	19,095	16,135
Workforce Initiative admin. fees	19,610	26,368
Other grants	35,246	20,452
Miscellaneous, recoveries	1,137	-
	<u>\$ 100,975</u>	<u>\$ 196,473</u>

8. ECONOMIC DEPENDENCE

In the fiscal year ended March 31, 2019, the Corporation received 61% of its general operating revenues from Western Economic Diversification, and accordingly is economically dependent upon this department.

9. BUILDING OCCUPANCY COSTS

	<u>2019</u>	<u>2018</u>
Repairs and maintenance	\$ 11,830	\$ 30,681
Property taxes	7,898	8,304
Utilities	7,718	8,141
Insurance	3,543	3,118
	<u>\$ 30,989</u>	<u>\$ 50,244</u>