Community Futures Centre West
Financial Statements
March 31, 2020

Management's Responsibility

To the Members of Community Futures Centre West:

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 safeguarded 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 Board 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.

June 17, 2020

P J Powell

Executive Director

Independent Auditor's Report

To the Members of Community Futures Centre West:

Opinion

We have audited the financial statements of Community Futures Centre West (the "Organization"), which comprise the statement of financial position as at March 31, 2020, and the statements of operations, changes in unrestricted net assets (deficit) 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 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Calgary, Alberta

MNP LLP

June 17, 2020

Chartered Professional Accountants

Community Futures Centre West
Statement of Financial Position
As at March 31, 2020

	Operating Fund	*Conditionally Repayable Investment Fund*	*Conditionally Repayable EDP Investment Fund*	***2020***	*2019*
Assets					
Current					
Cash *(Note 4)*	36,369	305,059	9,777	**351,205**	634,056
Term deposit *(Note 5)*	83,918	-	-	**83,918**	102,176
Accounts receivable	6,076	-	-	**6,076**	4,293
Prepaid expenses and deposits	6,915	-	-	**6,915**	7,216
Inter fund transfer *(Note 6)*	16,346	(16,346)	-	**-**	-
Current portion of loans receivable *(Note 7)*	-	287,756	16,187	**303,943**	237,318
	149,624	**576,469**	**25,964**	**752,057**	985,059
Loans receivable *(Note 7)*	-	1,333,187	128,119	**1,461,306**	1,315,457
Capital assets *(Note 8)*	3,575	-	-	**3,575**	4,929
	153,199	**1,909,656**	**154,083**	**2,216,938**	2,305,445
Liabilities					
Current					
Demand operating loan *(Note 9)*	-	692,896	-	**692,896**	702,000
Accounts payable and accruals	28,270	-	-	**28,270**	26,295
Rental income received in advance	-	-	-	**-**	2,100
Deferred contributions *(Note 10)*	55,255	-	-	**55,255**	52,069
	83,525	**692,896**	**-**	**776,421**	782,464
Commitments *(Note 12)*					
Significant event *(Note 14)*					
Net Assets (Deficit)					
Share capital *(Note 11)*	26	-	-	**26**	21
Externally restricted	-	1,187,500	200,000	**1,387,500**	1,387,500
Unrestricted	69,648	29,260	(45,917)	**52,991**	135,460
	69,674	**1,216,760**	**154,083**	**1,440,517**	1,522,981
	153,199	**1,909,656**	**154,083**	**2,216,938**	2,305,445

Approved on behalf of the Board

DocuSigned by:
Sid Van Der Meer
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Director

DocuSigned by:
Stephen Simms
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Director

The accompanying notes are an integral part of these financial statements

Community Futures Centre West
Statement of Operations
For the year ended March 31, 2020

	Operating Fund	*Conditionally Repayable Investment Fund*	*Conditionally Repayable EDP Investment Fund*	***2020***	*2019*
Revenue					
Western Economic Diversification	294,963	-	-	**294,963**	294,963
Loan interest	-	124,090	11,431	**135,521**	126,088
Rental income	24,000	-	-	**24,000**	10,000
Service fees, donations and other	12,731	5,430	-	**18,161**	25,556
Grant and sponsorship income	9,091	-	-	**9,091**	22,895
Other interest income (expense)	1,742	(41)	30	**1,731**	1,571
	342,527	**129,479**	**11,461**	**483,467**	481,073
Expenses					
Advertising	7,307	-	-	**7,307**	3,338
Bank charges	4,008	263	-	**4,271**	4,978
Board	2,399	-	-	**2,399**	1,095
Community partnership building	4,129	-	-	**4,129**	3,694
Events	9,091	-	-	**9,091**	22,895
Insurance	2,235	-	-	**2,235**	2,058
Interest	-	27,153	-	**27,153**	26,446
Office and general	13,210	-	-	**13,210**	15,899
Professional fees	13,366	-	-	**13,366**	19,247
Projects	2,600	-	-	**2,600**	4,201
Provision for loan losses, net of recoveries	-	149,065	-	**149,065**	175,485
Rent	28,621	-	-	**28,621**	18,440
Salaries and benefits	282,226	-	-	**282,226**	260,456
Telephone and telecommunications	6,786	-	-	**6,786**	6,772
Travel	12,124	-	-	**12,124**	12,731
	388,102	**176,481**	**-**	**564,583**	577,735
Deficiency of revenue over expenses before amortization expense	**(45,575)**	**(47,002)**	**11,461**	**(81,116)**	(96,662)
Amortization	(1,353)	-	-	**(1,353)**	(1,828)
Excess (deficiency) of revenue over expenses	**(46,928)**	**(47,002)**	**11,461**	**(82,469)**	(98,490)

The accompanying notes are an integral part of these financial statements

Community Futures Centre West
Statement of Changes in Unrestricted Net Assets (Deficit)
For the year ended March 31, 2020

	Operating Fund	*Conditionally Repayable Investment Fund*	*Conditionally Repayable EDP Investment Fund*	*2020*	*2019*
Net assets (deficit), beginning of year	116,576	76,262	(57,378)	**135,460**	233,950
Excess (deficiency) of revenue over expenses	(46,928)	(47,002)	11,461	**(82,469)**	(98,490)
Net assets (deficit), end of year	**69,648**	**29,260**	**(45,917)**	**52,991**	135,460

The accompanying notes are an integral part of these financial statements

	Operating Fund	*Conditionally Repayable Investment Fund*	*Conditionally Repayable EDP Investment Fund*	*2020*	*2019*
Cash provided by (used for) the following activities					
Operating					
Excess (deficiency) of revenue over expenses	**(46,928)**	**(47,002)**	**11,461**	**(82,469)**	(98,490)
Amortization	**1,353**	**-**	**-**	**1,353**	1,828
Provision for loan losses, net of recoveries	**-**	**149,065**	**-**	**149,065**	175,485
	(45,575)	**102,063**	**11,461**	**67,949**	78,823
Changes in working capital accounts					
Accounts receivable	**(1,783)**	**-**	**-**	**(1,783)**	6,375
Prepaid expenses and deposits	**301**	**-**	**-**	**301**	(64)
Inter fund transfer	**(6,469)**	**6,469**	**-**	**-**	-
Accounts payable and accruals	**1,975**	**-**	**-**	**1,975**	(1,419)
Rental income received in advance	**(2,100)**	**-**	**-**	**(2,100)**	2,100
Deferred contributions	**3,186**	**-**	**-**	**3,186**	22,535
	(50,465)	**108,532**	**11,461**	**69,528**	108,350
Financing					
Issuance of share capital	**5**	**-**	**-**	**5**	-
Repayment of demand operating loan	**-**	**(9,104)**	**-**	**(9,104)**	(12,000)
	5	**(9,104)**	**-**	**(9,099)**	(12,000)
Investing					
Advances of loans receivable	**-**	**(640,494)**	**(60,000)**	**(700,494)**	(601,317)
Receipts of loans receivable	**-**	**326,522**	**12,434**	**338,956**	315,983
	-	**(313,972)**	**(47,566)**	**(361,538)**	(285,334)
Decrease in cash resources	**(50,460)**	**(214,544)**	**(36,105)**	**(301,109)**	(188,984)
Cash resources, beginning of year	**170,747**	**519,603**	**45,882**	**736,232**	925,216
Cash resources, end of year	**120,287**	**305,059**	**9,777**	**435,123**	736,232
Cash resources are composed of:					
Cash	**36,369**	**305,059**	**9,777**	**351,205**	634,056
Term deposits	**83,918**	**-**	**-**	**83,918**	102,176
	120,287	**305,059**	**9,777**	**435,123**	736,232

The accompanying notes are an integral part of these financial statements

1. Incorporation and nature of the organization

Community Futures Centre West (the "Organization") is designed to assist rural communities develop their local economies by using innovative approaches to business and community development. Community Futures Centre West provides access to resources and financial assistance.

Community Futures Centre West provides core services such as: Fostering Strategic Community Planning and Socio-Economic Development, Building Community Networks by partnering and developing, and partnering with Community Economic Development projects with business, economic, social and environmental organizations. The Organization assists with the growth and development of community infrastructure resulting in increased community capacity. Community Futures Centre West also provides business services by way of counselling and training, with financial assistance in the way of business loans to small and medium sized entrepreneurs and to entrepreneurs with disabilities.

The Organization is incorporated pursuant to the Alberta Companies Act as a not-for-profit organization. It is exempt from income taxes under the *Income Tax Act* (the "Act") as a not-for-profit organization. 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. Economic dependence

The Organization receives the majority of its operating revenue from the Federal Government for its loans and financial services and is economically dependent upon this funding for continuing operations.

3. Significant accounting policies

Basis of accounting

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") as issued by the Accounting Standards Board in Canada and include the following significant accounting policies:

Fund accounting

The Organization follows the deferral method of accounting for contributions and reports using fund accounting, and maintains two funds: The Operating Fund and the Investment Fund.

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

The Investment Fund reports restricted resources that are to provide assistance to small businesses and entrepreneurs in the form of loans, loan guarantees or equity participation. Loans from the Entrepreneurs with Disabilities Program ("EDP") are limited to businesses owned and operated by disabled entrepreneurs. The Organization is restricted in the types of loans that can be made according to its agreement with the Federal Government.

Cash

Cash includes balances with banks and short-term investments with maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

Term deposits

Term deposits comprise investments in Guaranteed Investment Certificates ("GICs") with maturities in excess of three months or are expected to be immediately reinvested upon maturity.

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

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution if fair value can be reasonably determined.

Amortization is provided using the following methods and rates intended to amortize the cost of assets over their estimated useful lives. Amortization is recorded at half the following rates in the year of acquisition.

	Method	Rate
Computer equipment	declining balance	30 %
Computer software	declining balance	30 %
Furniture and fixtures	declining balance	20 %
Leasehold improvements	straight-line	10 years

Long-lived assets

Long-lived assets consist of capital assets with finite useful lives. Long-lived assets held for use are measured and amortized as described in the applicable accounting policy.

When the Organization determines that a long-lived asset no longer has any long-term service potential to the Organization, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations. Write-downs are not reversed.

Loans receivable

Loans receivable are initially recorded at fair value and subsequently measured at their amortized cost less impairment. Amortized cost is calculated as the loan's principal amount plus unamortized loan administration fees, less any allowance for anticipated losses, plus accrued interest. Interest revenue is recorded on the accrual basis using the effective interest method. Loan administration fees are amortized over the term of the loan using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to the carrying amount of the financial asset.

Revenue recognition

The Organization 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.

Rental income is recognized as revenue when rents become due.

Interest income is recognized as revenue when earned.

Government assistance

(a) Funding received from Western Economic Diversification to finance operating expenses has been included as revenue in the Statement of Operations.

(b) Funding received to finance investment loans has been classified as externally restricted fund balances on the Statement of Financial Position - Investment Fund.

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

Financial instruments

The Organization recognizes its financial instruments when it becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value.

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.

All financial assets and liabilities are subsequently measured at cost or amortized 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 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 cost or amortized cost.

Financial asset impairment

The Organization assesses impairment of all of its financial assets measured at cost or amortized cost. The Organization groups assets for impairment testing when available information is not sufficient to permit identification of each individually impaired financial asset in the group. When there is an indication of impairment, the Organization determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year. If so, the Organization reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets; and the amount expected to be realized by exercising any rights to collateral held against those assets. Any impairment, which is not considered temporary, is included in current year excess (deficiency) of revenue over expenses.

The Organization reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in the excess (deficiency) of revenue over expenses in the year the reversal occurs.

Measurement uncertainty

The preparation of financial statements in conformity with ASNPO 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. Loans receivable are evaluated as to their collectability and an appropriate allowance for loan impairment is provided where considered necessary. 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 (deficiency) of revenue over expenses in the periods in which they become known.

4. Cash, Conditionally Repayable Investment Fund

Cash held in the Investment Fund is restricted for granting loans.

	2020	*2019*
Cash consists of the following internal allocations:		
Regular Investment Fund	**153,213**	367,757
Youth Investment Fund	**151,846**	151,846
	305,059	519,603

5. Term deposit

The term deposit is a Guaranteed Investment Certificate bearing interest at 0.5% per annum (2019 - 1.7%), maturing March 30, 2021.

6. Inter fund transfer

In the current and prior years, the Operating Fund has paid expenses on behalf of the Investment Fund. The balance owing between the funds is non-interest-bearing and due on demand.

7. Loans receivable

	2020	*2019*
Conditionally Repayable Investment Fund	**1,846,603**	1,710,983
Conditionally Repayable EDP Investment Fund	**144,306**	72,831
Provision for loan losses	**(225,660)**	(231,039)
	1,765,249	1,552,775
Less: current portion	**303,943**	237,318
	1,461,306	1,315,457

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. Loans receivable and loss allowance are as follows:

	Balance, beginning of year	*Write-offs (net of recoveries)*	***2020 Balance, end of year***	*2019 Balance, end of year*
Condtionally Repayable Investment Fund	231,039	(5,379)	**225,660**	231,039

Actual write-offs, net of recoveries, are deducted from the allowance for loan losses. The provision for loan losses in the statement of operations is charged with an amount sufficient to keep the balance in the allowance for loan losses adequate to absorb anticipated credit related losses.

Outstanding loans to entrepreneurs are interest bearing at fixed rates varying from 7.75% to 10.5% with monthly blended principal repayments amortized over various time periods and interest only repayments. Security on these loans is appropriate to the situation and includes personal guarantees, general security agreements covering business assets and mortgages on land and buildings.

There are no indivdual loans outstanding in excess of $150,000.

8. Capital assets

	Cost	***Accumulated amortization***	***2020 Net book value***	*2019 Net book value*
Computer equipment	**5,101**	**4,248**	**853**	1,219
Computer software	**7,790**	**6,200**	**1,590**	2,271
Furniture and fixtures	**1,725**	**1,318**	**407**	509
Leasehold improvements	**2,043**	**1,318**	**725**	930
	16,659	**13,084**	**3,575**	4,929

9. Demand operating loan

	2020	2019
Demand operating loan	**692,896**	702,000

The Organization maintains a demand operating loan payable to Community Futures Network of Alberta through its Community Futures Lending & Investment Pool ("CFLIP") to a maximum of $1,000,000 (2019 - $1,000,000) bearing interest at RBC's prime rate with interest only repayments required on a monthly basis. Amount is due on demand and no later than September 30, 2021. Security pledged consists of a demand promissory note for amounts drawn and a general security agreement over all assets and undertakings of the Organization. Prime rate at year end was 2.45% (2019 - 3.95%).

10. Deferred contributions

Deferred contributions consist of unspent contributions received for future operations. Recognition of these amounts as revenue is deferred to periods when the specified expenditures are made.

In the prior year, the Organization cancelled it's NEXTStep program. The Government of Alberta approved the unused funding for this program for use in the Organization's SMARTStart program. Therefore, the remaining NEXTStep funding had been transferred to the SMARTStart balance at prior year end.

Changes in the deferred contribution balance are as follows:

	2020	2019
Western Economic Diversification		
Balance, beginning of year	**24,580**	-
Received during the year	**294,963**	319,543
Recognized as revenue during the year	**(294,963)**	(294,963)
Balance, end of year	**24,580**	24,580
SMARTStart Program funding		
Balance, beginning of year	**16,489**	5,000
Received during the year	**21,277**	20,850
Funding transfer	**-**	6,534
Recognized as revenue during the year	**(7,091)**	(15,895)
Balance, end of year	**30,675**	16,489
NEXTStep Program funding		
Balance, beginning of year	**-**	6,534
Funding transfer	**-**	(6,534)
Balance, end of year	**-**	-
SHiFT Program funding		
Balance, beginning of year	**11,000**	18,000
Returned to funder	**(9,000)**	-
Recognized as revenue during the year	**(2,000)**	(7,000)
Balance, end of year	**-**	11,000
	55,255	52,069

11. Share capital

		2020	*2019*
Issued			
10	Class A voting shares	**14**	9
12	Class B non-voting shares	**12**	12
		26	21

During the year ended March 31, 2015, the Organization amended its share structure such that all previously issued common shares were redesignated as Class B non-voting shares. In addition, an unlimited number of Class A voting shares were created, and one Class A voting share was then issued for $nil consideration to each of the 8 directors to retain so long as they remained as a director of the Organization. Upon resignation from the Board of Directors, and with approval from the Board, the outgoing director's share may be directly transferred to an incoming board member, otherwise, it is forfeit and returned to treasury. Incoming Board members acquire one new Class A voting share either by transfer, or purchase for consideration of $1.00. Consistent with the maximum number of Board members, a maximum of 15 Class A voting shares may be issued and outstanding at any given time.

On June 26, 2019, the Organization issued 5 new Class A shares for cash consideration of $1.00 each.

12. Commitments

The Organization has a premises lease agreement with Trading Post of Sunset Ridge Ltd. This agreement is subject to minimum monthly rent expiring October 31, 2023.

The Organization has an operating lease for a photocopier until February 2024. The minimum quarterly lease payments are $775 plus GST and usage fees.

Estimated combined total annual commitments for the above leases until maturity are as follows:

2021	22,895
2022	22,895
2023	22,895
2024	16,270
	84,955

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, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

Loans receivable are initially recorded at fair value and subsequently measured at their amortized cost less impairment. The fair value of loans receivable are estimated utilizing a discounted cash flow calculation that applies market interest rates currently charged for new loans to expected maturity amounts. The fair value of loans receivable approximates their carrying amounts as market interest rates have remained reasonably consistent since the loans were issued.

Credit risk

As disclosed in Note 7, the Organization is exposed to credit risk on the loans receivable from its clients to the extent that their clients may experience financial difficulty and be unable to meet their obligations. In order to reduce such risk, the Organization has adopted extensive credit and approval policies that include the regular review of client accounts and credit worthiness.

The Organization is also exposed to credit risk due to the fact that it maintains 100% of its cash and deposits with a single federally regulated Canadian financial institution. In the event of any unforeseen circumstances the funds are insured to a maximum of $100,000 through Canadian Deposit Insurance Corporation.

Interest rate risk

The Organization's borrowings are subject to floating rates. The floating rate debt is subject to an interest rate cash flow risk, as the required cash flows to service the debt will fluctuate as a result of changes in market rates.

Liquidity risk

Liquidity risk is the risk that the Organization will not be able to meet a demand for cash or fund its obligations as they come due. Liquidity risk also includes the risk of the Organization not being able to liquidate assets in a timely manner at a reasonable price.

The Organization meets its liquidity requirements by preparing and monitoring detailed forecasts of cash flows from operations, anticipating investing and financing activities and seeking out funding for specific projects.

14. Significant event

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

Specifically, to assist in economic relief and recovery, the Organization has agreed to defer loan payments for 32% of its loans receivable clients in April 2020 and 17.6% in May 2020. This will negatively impact the Organization’s cash flows for the year ending March 31, 2021.