

**MERIDIAN COMMUNITY FUTURE
DEVELOPMENT CORPORATION**

Independent Auditor's Report

Financial Statements - March 31, 2020

DocuSigned by:

Susan Grudecki

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Vice Chairman

7/6/2020

DocuSigned by:

Sandra Beaudoin

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Board Member

7/6/2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Meridian Community Futures Development Corporation

Opinion

We have audited the accompanying financial statements of the Meridian Community Futures Development Corporation, which comprise the statement of financial position as at March 31, 2020, and the statement of operations, statement of fund balances and statement of cash flow 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 Meridian Community Futures Development Corporation 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 Meridian Community Futures Development Corporation 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 audit 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 with financial reporting provisions provided by 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 Meridian Community Futures Development Corporation'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 Meridian Community Futures Development Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Meridian Community Futures Development Corporation'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 controls.

*Denotes Professional Corporation

- 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 Meridian Community Futures Development Corporation'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 Meridian Community Futures Development Corporation'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 Meridian Community Futures Development Corporation's 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.

Claire Haute Berta Blanchette

KINDERSLEY, Saskatchewan

Chartered Professional Accountants

June 8, 2020

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Meridian Community Futures Development Corporation

Opinion

We have audited the Meridian Community Futures Development Corporation's (MCFDC) compliance as at March 31, 2020, with the criteria established in the Contribution Agreement between Western Economic Diversification and the MCFDC dated May 6, 2018 and the interpretation of the Agreement as set out in Schedule 1 attached.

In our opinion, the MCFDC is in compliance, in all material respects, with the criteria established by the Contribution Agreement with Western Economic Diversification as at March 31, 2020.

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 Meridian Community Futures Development Corporation 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 audit opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management and the Board of Directors are responsible for compliance with the criteria by the provisions of the above noted agreement, and for such internal control as the Board determines is necessary to ensure compliance with the agreement.

Auditor's Responsibilities for the Audit of Financial Statements

Our responsibility is to express an opinion as to whether all criteria established in the Contribution Agreement were complied with during the year. We conducted our audit in accordance with generally accepted auditing standards. Those standards required that we plan and perform an audit to obtain reasonable assurance whether the MCFDC complied with the criteria established by the provisions of the agreement referred to above. Such an audit includes examining, on a test basis, evidence supporting compliance, evaluating the overall compliance with the agreement, and where applicable, assessing the accounting principles used and significant estimates made by management.

We believe that audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



KINDERSLEY, Saskatchewan

Chartered Professional Accountants

June 8, 2020

MERIDIAN COMMUNITY FUTURES DEVELOPMENT CORPORATION

Statement of Financial Position

March 31, 2020

	Operations	Investment	Programs	2020	2019
Assets					
Current assets:					
Operating cash	\$ 199,934	1,712,527	612,067	2,524,528	1,848,364
Interest receivable	-	7,343	2,574	9,917	8,065
Other receivables	41,710	-	-	41,710	3,987
Prepays	984	-	-	984	942
Total current assets	<u>242,628</u>	<u>1,719,870</u>	<u>614,641</u>	<u>2,577,139</u>	<u>1,861,358</u>
Long-term assets:					
Loans receivable (Note 3)	-	1,825,121	51,887	1,877,008	2,451,658
Equity in Co-ops	359	-	-	359	359
Capital assets (Note 4)	9,193	-	-	9,193	12,982
Total long-term assets	<u>9,552</u>	<u>1,825,121</u>	<u>51,887</u>	<u>1,886,560</u>	<u>2,464,999</u>
Total Assets	<u>\$ 252,180</u>	<u>3,544,991</u>	<u>666,528</u>	<u>4,463,699</u>	<u>4,326,357</u>
Liabilities & Fund Balances					
Current liabilities					
Advance from Western Economic Diversification	\$ 24,108	-	-	24,108	24,806
Accounts payable	19,769	-	-	19,769	16,003
Loan from Western Economic Diversification (Note 6 & 7)	-	-	400,000	400,000	400,000
Total current liabilities	<u>43,877</u>	<u>-</u>	<u>400,000</u>	<u>443,877</u>	<u>440,809</u>
Long-term liabilities					
Due to Beaver River Community Futures (Note 8)	-	42,669	-	42,669	43,419
Due to Visions Community Futures (Note 8)	-	42,669	-	42,669	43,419
Total long-term liabilities	<u>-</u>	<u>85,338</u>	<u>-</u>	<u>85,338</u>	<u>86,838</u>
Fund Balances					
Externally restricted	-	3,459,653	266,528	3,726,181	3,601,669
Internally restricted	24,680	-	-	24,680	24,680
Invested in capital assets	9,193	-	-	9,193	12,982
Unrestricted	174,430	-	-	174,430	159,379
Total Fund Balances	<u>208,303</u>	<u>3,459,653</u>	<u>266,528</u>	<u>3,934,484</u>	<u>3,798,710</u>
Total Liabilities & Fund Balances	<u>\$ 252,180</u>	<u>3,544,991</u>	<u>666,528</u>	<u>4,463,699</u>	<u>4,326,357</u>

Approved on behalf of the Board

See accompanying notes to financial statements.

Director

MERIDIAN COMMUNITY FUTURES DEVELOPMENT CORPORATION

Statement of Operations

March 31, 2020

	2020			Total	
	Budget	Operations	Investment	2020	2019
Revenues					
Loan interest	\$ -	-	102,860	110,161	173,921
Investment interest	-	5,347	29,713	48,038	36,737
W.E.D contributions (Note 5):					
Operating	297,669	297,669	-	297,669	297,669
Other income (Note 9)	<u>20,950</u>	<u>68,772</u>	-	<u>68,772</u>	<u>17,639</u>
	<u>318,619</u>	<u>371,788</u>	<u>132,573</u>	<u>524,640</u>	<u>525,966</u>
Charge for loan impairment (Note 3)	-	-	<u>(71,535)</u>	<u>(21,660)</u>	<u>30,123</u>
Income before operating expenses	318,619	371,788	204,108	546,300	495,843
Expenses (Schedule 1)					
Personnel	312,500	236,443	-	236,443	243,413
Occupancy	26,950	28,199	-	28,199	26,386
Loan administration	3,000	6,006	-	6,006	2,962
Economic development	10,000	15,076	-	15,076	18,634
Organizational	7,500	4,464	-	4,464	13,043
General	<u>49,065</u>	<u>116,548</u>	-	<u>116,548</u>	<u>45,878</u>
	409,015	406,736	-	406,736	350,316
Income (loss) before the following items: \$	<u>(90,396)</u>	<u>(34,948)</u>	204,108	139,564	145,527
Amortization		<u>(3,790)</u>	-	<u>(3,790)</u>	<u>(4,717)</u>
Net income (loss) for the year	\$ <u>(38,738)</u>		<u>204,108</u>	<u>135,774</u>	<u>140,810</u>

MERIDIAN COMMUNITY FUTURES DEVELOPMENT CORPORATION

Statement of Fund Balances

March 31, 2020

	2020			Total		
	<u>Budget</u>	<u>Operations</u>	<u>Investment</u>	<u>Programs</u>	<u>2020</u>	<u>2019</u>
Fund balances, beginning of year	\$ 150,664	197,041	3,305,545	296,124	3,798,710	3,657,900
Net income (loss) for the year	(90,396)	(38,738)	204,108	(29,596)	135,774	140,810
Interfund transfers (Note 10)	<u>50,000</u>	<u>50,000</u>	<u>(50,000)</u>	-	-	-
Fund balances, end of year	<u>\$ 150,664</u>	<u>208,303</u>	<u>3,459,653</u>	<u>266,528</u>	<u>3,934,484</u>	<u>3,798,710</u>

See accompanying notes to financial statements.

MERIDIAN COMMUNITY FUTURES DEVELOPMENT CORPORATION

Statement of Cash Flow

March 31, 2020

	2020		Total		
	Operations	Investment	Programs	2020	2019
Cash flow from (used in) operating activities:					
Operations:					
Net income (loss) for the year	\$ (38,738)	204,108	(29,596)	135,774	140,810
Less non-cash items:					
Charge for loan impairment	-	(91,177)	-	(91,177)	-
Amortization	<u>3,790</u>	-	-	<u>3,790</u>	<u>4,717</u>
	(34,948)	112,931	(29,596)	48,387	145,527
Changes in noncash working capital components:					
Accounts receivable	(37,956)	635	(2,257)	(39,578)	(3,890)
Prepaid expenses	(42)	-	-	(42)	(62)
Accounts payable	3,770	-	-	3,770	(3,711)
Deferred revenue - WED advances	(698)	-	-	(698)	24,806
Interfund balances	-	-	-	-	-
	<u>(34,926)</u>	<u>635</u>	<u>(2,257)</u>	<u>(36,548)</u>	<u>17,143</u>
	(69,874)	113,566	(31,853)	11,839	162,670
Cash flow from (used in) financing & investing activities:					
Capital assets	-	-	-	-	(3,027)
Loans receivable	-	604,268	61,557	665,825	30,903
Due to other Community Futures	-	(1,500)	-	(1,500)	-
Loan from WED	-	-	-	-	-
	-	<u>602,768</u>	<u>61,557</u>	<u>664,325</u>	<u>27,876</u>
Net increase (decrease) in cash	(69,874)	716,334	29,704	676,164	190,546
Cash, beginning of year	219,808	1,046,193	582,363	1,848,364	1,657,818
Interfund transfers (Note 10)	<u>50,000</u>	<u>(50,000)</u>	-	-	-
Cash, end of year	<u>\$ 199,934</u>	<u>1,712,527</u>	<u>612,067</u>	<u>2,524,528</u>	<u>1,848,364</u>

See accompanying notes to financial statements.

MERIDIAN COMMUNITY FUTURES DEVELOPMENT CORPORATION

Schedule 1 - Schedule of Expenses

March 31, 2020

	2020		2019
	Budget	Operations	
Personnel			
Contracted positions	\$ 6,000	-	6,155
Staff development	6,500	6,552	5,477
Staff travel	11,500	5,046	9,268
Wages and benefits	<u>288,500</u>	<u>224,845</u>	<u>222,513</u>
	312,500	236,443	243,413
Occupancy			
Insurance	1,350	1,576	2,141
Repairs & maintenance	3,600	5,023	3,245
Rent	<u>22,000</u>	<u>21,600</u>	<u>21,000</u>
	26,950	28,199	26,386
Loan Administration			
Loan administration	3,000	6,006	2,962
Economic Development			
Business development	-	750	-
CED initiatives	5,000	10,976	11,388
Youth camp	4,000	3,350	7,246
Youth events	<u>1,000</u>	<u>-</u>	<u>-</u>
	10,000	15,076	18,634
Organizational			
Board development	3,750	1,647	9,519
Board travel	<u>3,750</u>	<u>2,817</u>	<u>3,524</u>
	7,500	4,464	13,043
General			
Advertising & promotions	8,500	15,686	2,921
Bank charges	-	188	121
Equipment rental	300	-	-
GST expense	1,595	2,536	2,369
Information technology	9,600	10,730	11,755
Lemonade game	-	410	-
Library	600	399	399
Office supplies	3,600	4,115	2,682
Printing & photocopy	1,800	1,669	1,425
Postage	420	403	258
Professional fees	9,600	14,779	13,937
Memberships	1,050	450	700
CROP project	-	56,016	-
Miscellaneous - ineligible for WED Funding	-	475	1,062
Telephone	8,400	8,333	7,747
Client training & development	600	359	502
Net capital assets purchased (sold)	<u>3,000</u>	<u>-</u>	<u>-</u>
	<u>49,065</u>	<u>116,548</u>	<u>45,878</u>
	<u>409,015</u>	<u>406,736</u>	<u>350,316</u>

MERIDIAN COMMUNITY FUTURES DEVELOPMENT CORPORATION**Schedule 2- Schedule of Programs
Balance Sheet****March 31, 2020****Assets**

	<u>RCED</u>	<u>RIF</u>	<u>EDP</u>	<u>Total</u>
Current assets:				
Cash and short-term investments	\$ -	323,706	288,361	612,067
Interest and other receivables	-	-	2,574	2,574
Total current assets	<u>-</u>	<u>323,706</u>	<u>290,935</u>	<u>614,641</u>
Long-term assets:				
Interfund balances	-	-	-	-
Loans receivable, net of allowance on EDP \$40,000	-	17,931	33,956	51,887
	<u>\$ -</u>	<u>341,637</u>	<u>324,891</u>	<u>666,528</u>
	Liabilities & Fund Balances			
Interfund balances	\$ -	-	-	-
Long-term liabilities:				
Loan from Western Economic Diversification (Note 7 & 8)	-	200,000	200,000	400,000
Fund balance, per accompanying schedule	<u>-</u>	<u>141,637</u>	<u>124,891</u>	<u>266,528</u>
	<u>\$ -</u>	<u>341,637</u>	<u>324,891</u>	<u>666,528</u>

See accompanying notes to financial statements.

MERIDIAN COMMUNITY FUTURES DEVELOPMENT CORPORATION

Schedule 3- Schedule of Programs

Statement of Operations and Changes in Fund Balances

March 31, 2020

	<u>RCED</u>	<u>RIF</u>	<u>EDP</u>	<u>Total</u>
Revenue:				
Loan interest	\$ -	258	7,043	7,301
Investment interest	-	7,146	5,832	12,978
Recovery of bad debts	-	-	-	-
Program funding and other	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	-	7,404	12,875	20,279
Expenses				
Program expenses	-	-	-	-
Charge for loan impairment	-	-	49,875	49,875
	<u>-</u>	<u>-</u>	<u>49,875</u>	<u>49,875</u>
	-	-	49,875	49,875
Income (loss) before the following items:	-	7,404	(37,000)	(29,596)
Federal government share of investment income and loan interest and loan losses/recoveries	-	-	-	-
Capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net income (loss) for the year	-	7,404	(37,000)	(29,596)
Fund balance, beginning of year	-	134,233	161,891	296,124
Interfund transfers (Note 10)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>141,637</u>	<u>124,891</u>	<u>266,528</u>

See accompanying notes to financial statements.

MERIDIAN COMMUNITY FUTURES DEVELOPMENT CORPORATION

Notes to Financial Statements

March 31, 2020

1. PURPOSE OF THE ORGANIZATION

Meridian Community Futures Development Corporation is a community based organization that provides loans and financial services to small businesses that are otherwise unable to obtain financing. The Corporation is incorporated under the Saskatchewan and Alberta Companies Acts as a non-profit organization. It is exempt from income taxes under the Income Tax Act as a non-profit organization.

2. SIGNIFICANT ACCOUNTING POLICIES:

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organization included in Part III of the CPA Canada Handbook with specific financial reporting provisions provided by Western Economic Diversification and include the following significant accounting policies:

a) Cash and Cash Equivalents

The Corporation's policy is to present bank balances under cash and cash equivalents including, if applicable, bank overdrafts with balances that may fluctuate from being positive to overdrawn.

b) Fund Accounting

Meridian Community Futures Development Corporation follows the restricted method of accounting for contributions. Accordingly, resources are classified for accounting and financial reporting purposes into funds. These funds are maintained in accordance with either the objectives specified by Western Economic Diversification or with directives issued by the Board of Directors. Certain interfund transfers may be necessary to ensure the appropriate allocation of assets and liabilities to the respective funds. Transfers between funds are recorded in the statement of changes in fund balances. For financial reporting purposes, the accounts have been classified into the following funds:

(i) The Operating Fund accounts for the organization's operating costs and general revenues. The fund reports unrestricted resources and internally and externally restricted operating grants.

(ii) The Investment Fund reports restricted resources that are to be used in assisting small businesses and entrepreneurs in the form of loans, loan guarantees or equity participation. The organization is restricted in the types of loans that can be made according to its agreement with the federal government. When all loans are collected, the remaining assets of the investment fund may be returned by Meridian Community Futures Development Corporation, at the discretion of the minister.

(iii) The Program Fund reports restricted resources that are to be used for various entrepreneurship programs including disabled loan programs. Loans from the Program Fund and Entrepreneurs with a Disability (EDP) Program are limited to businesses owned and operated by persons with a disability. The organization is restricted in the types of loans that can be made according to its agreement with the federal government.

MERIDIAN COMMUNITY FUTURES DEVELOPMENT CORPORATION

Notes to Financial Statements

March 31, 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued):**c) Loans Receivable**

Loans receivable are stated at net realizable value.

Accrued interest on loans receivable is recognized to the extent that the accrual does not exceed 24 months interest. Accrued interest on loans for which an allowance for doubtful loans has been established is written off as a reduction in loan interest income in the period in which collectability of the loan first becomes doubtful.

d) Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization is recorded on the diminishing balance method using the following rates:

Equipment	20%
Computer software	100%
Computer equipment	30% to 45%

One half of these rates are used in the year of acquisition.

e) Impairment of Long-Lived Assets

Capital assets subject to amortization are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

f) Revenue Recognition

Restricted contributions are recognized as revenue in the appropriate restricted fund when they are received or receivable, provided the amounts are measurable and collection is reasonably assured. Unrestricted contributions including W.E.D. contributions and other income are recorded as revenue of the operations fund when received or receivable, provided the amounts are measurable and collection is reasonably assured.

Loan and investment interest are recorded on an accrual basis as revenues of the investment or programs fund depending upon the underlying loan and investment asset.

g) Charge for Loan Impairment

The charge for loan impairment includes the current years allowance for the loan principal deemed uncollectible, less collections of principal and interest on loans allowed for in prior years and the write-down of foreclosed assets.

Foreclosed property is valued at the lower of cost and net realizable value. Changes to the asset's net realizable value is recorded as a charge to loan impairment.

MERIDIAN COMMUNITY FUTURES DEVELOPMENT CORPORATION

Notes to Financial Statements

March 31, 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued):

h) Management Estimates

The preparation of financial statements requires members to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses for the period covered. The main estimates relate to the useful life of capital assets and the collectability of loans receivable. Management believes that the estimates utilized in preparing these financial statements are reasonable; however, actual results could differ from these estimates.

i) Related Party Transactions

Related party transactions are in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Details of related party transactions are disclosed in Note 8.

j) Financial Instruments

Measurement of financial instruments

The organization initially measures its financial assets and liabilities at fair value, except for certain related party transactions that are measured at the carrying amount or exchange amount, as appropriate.

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

Financial assets measured at amortized cost on a straight-line basis include cash, interest receivable, other receivables, and loans receivable.

Financial liabilities measured at amortized cost on a straight-line basis include accounts payable, advance and loan from Western Economic Diversification, due to Beaver River Community Futures and due to Visions Community Futures

Transaction Costs

Transactions costs related to financial instruments that will be subsequently measured at amortized cost are included in the original cost of the asset or liability and recognized in net income over the life of the instrument using the straight-line method.

Impairment

For financial assets measured at cost or financial assets measured at cost or amortized cost, the organization determines whether there are indication of possible impairment. When there is an indication of impairment, and the organization determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in net income. A previously recognize impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may not be greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

MERIDIAN COMMUNITY FUTURES DEVELOPMENT CORPORATION

Notes to Financial Statements

March 31, 2020

3. LOAN RECEIVABLE:

Classification	Principal	Allowance	2020 Net Loan Balance	2019 Net Loan Balance
Agriculture	\$ 9,947	-	9,947	24,407
Mechanical services	-	-	-	-
Oilfield services	159,854	-	159,854	258,613
Manufacturing & construction	91,285	40,000	51,285	78,564
Transportation & warehousing	480,588	184,300	296,288	379,164
Information & cultural	95,960	-	95,960	118,669
Retail Trade	288,282	51,607	236,675	290,868
Admin & Support	231,023	75,000	156,023	142,243
Health services	62,608	-	62,608	62,750
Accommodation & food services	48,295	-	48,295	16,459
Other services	609,873	-	609,873	796,668
Professional, Scientific & Technical	76,597	-	76,597	182,291
Arts, Entertainment & Recreation	73,603	-	73,603	100,962
	<u>\$ 2,227,915</u>	<u>350,907</u>	<u>1,877,008</u>	<u>2,451,658</u>

Outstanding loans to entrepreneurs are interest bearing at fixed rates varying from 5.75% to 10% with monthly blended principal and interest repayments amortized for terms between 3 and 120 months. Security is taken on these loans as appropriate to the situation and includes personal guarantees, general and specific security agreements covering business assets and mortgages on land and building. In March, the Board approved a Covid-19 response of providing additional assistance to existing borrowers in good standing. This assistance included options to reduce their current loan interest rate to (3.3%) for six months and to extend their existing loan terms and defer payment of interest and principal for three months.

The balance of the allowance for loan impairment changed as follows:

	Investment	Programs	2020	2019
Opening balance	\$ 402,084	40,000	442,084	461,643
Charge for loan impairment	(69,113)	49,875	(19,238)	72,063
Recovery of amounts previously written off	(2,422)	-	(2,422)	(41,940)
Net charge to income statement for loan impairment	(71,535)	49,875	(21,660)	30,123
Amounts written off	(22,064)	(49,875)	(71,939)	(49,682)
Closing balance	<u>\$ 310,907</u>	<u>40,000</u>	<u>350,907</u>	<u>442,084</u>

MERIDIAN COMMUNITY FUTURES DEVELOPMENT CORPORATION

Notes to Financial Statements

March 31, 2020

4. CAPITAL ASSETS:

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net 2020</u>	<u>Net 2019</u>
Computer equipment	\$ 59,430	(56,781)	2,649	4,802
Equipment	91,808	(85,264)	6,544	8,180
Software	<u>2,846</u>	<u>(2,846)</u>	<u>-</u>	<u>-</u>
	<u>\$ 154,084</u>	<u>(144,891)</u>	<u>9,193</u>	<u>12,982</u>

5. W.E.D. OPERATING CONTRIBUTIONS AND ECONOMIC DEPENDENCE:

The current year operating funding approved by W.E.D. was \$297,669. W.E.D. operating contributions have been approved to March 31, 2021 as follows: 2020 - \$297,669; 2021 - \$297,669. The Corporation is economically dependent upon W.E.D. for annual contributions to fund eligible operating expenditures of the corporation. The current agreement expires on March 31, 2021 and may be terminated by the Minister upon 60 days notice to the corporation. The corporation's operations are dependent upon compliance with its agreement with Western Economic Diversification. Management believes that the corporation is in compliance with the agreement at March 31, 2020.

6. REPAYABLE INVESTMENT FUNDS (RIF):

Repayable Investment Funds (formerly Youth Entrepreneurs Loan Program) are loans available from MCFDC to start businesses within the region.

The total contributions of \$200,000 repayable by the MCFDC on demand as follows:

- a) the cash balance of the fund, and
- b) the rights to the loan receivable portfolio will be assigned.

When all loans are collected, the remaining assets of the repayable investment fund may be retained by MCFDC, at the discretion of the Minister.

At the time of the auditors' report, W.E.D. has not requested repayment of any amounts owing with respect to this fund.

7. ENTREPRENEURS WITH DISABILITIES (EDP):

Repayable Entrepreneurs with Disabilities Investment Fund contributions are to provide individuals whom have an emotional, physical or intellectual disability with a repayable loan pool to assist in starting their own business. Similar MCFDC term and conditions apply to the EDP program.

The total contributions of \$200,000 repayable by the MCFDC on demand as follows:

- a) the cash balance of the fund, and
- b) the rights to the loan receivable portfolio will be assigned

When all loans are collected, the remaining assets of the repayable investment fund may be retained by MCFDC, at the discretion of the Minister.

At the time of the auditors' report, W.E.D. has not requested repayment of any amounts owing with respect to this fund.

MERIDIAN COMMUNITY FUTURES DEVELOPMENT CORPORATION**Notes to Financial Statements****March 31, 2020****8. RELATED PARTY TRANSACTIONS:**

In the prior year, the Organization entered into agreements with Beaver River Community Futures and Visions Community Futures in regards to providing financing to one entrepreneur. Both Community Futures offices agreed to provide \$50,000 for the loan. Meridian Community Futures is responsible for collecting payments and interest on this loan and remitting to the other Community Futures their portion of these payments. The organization is related to the other Community Futures offices due to federal government ownership of all entities.

9. OTHER INCOME:

	<u>2020</u>	<u>2019</u>
Operations:		
Business development fees	\$ 10,814	12,856
CROP project income	52,963	-
Other project income	2,695	4,783
Miscellaneous	<u>2,300</u>	<u>-</u>
	<u>\$ 68,772</u>	<u>17,639</u>

10. INTERFUND TRANSFERS:

The investment fund transferred \$50,000 to the operating fund as approved by W.E.D. to be used by the operating fund for budgeted expenditures.

11. FINANCIAL INSTRUMENTS:**Financial Risks**

The organization is exposed to various risks through its financial instruments, without being exposed to concentrations of risk. The main risks are broken down below.

Credit Risk

Credit risk is the risk that one party to a financial asset will cause a financial loss for the organization by failing to discharge an obligation. The corporation is exposed to credit risk from the potential non-payment of loans receivables. Loans receivable are spread out over numerous industries (Note 3) which decreases credit risk. Credit risk is also mitigated through the lending policy approved by the Board of Directors which includes customer credit checks and adequate loan security.

Market Risk

Market risk is the risk that the fair value or future cash flows of the corporation's financial instruments will fluctuate because of changes in market prices. Some of the corporation's financial instruments expose it to this risk, which comprises currency risk, interest rate risk and other price risk. It is management's opinion that the corporation is not subject to currency risk, as it has no financial assets which are denominated in a foreign currency, nor to other price risk, as it holds no investments in quoted shares.

MERIDIAN COMMUNITY FUTURES DEVELOPMENT CORPORATION

Notes to Financial Statements

March 31, 2020

11. FINANCIAL INSTRUMENTS (CONTINUED):

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument might be adversely affected by a change in interest rate. The corporation grants loans at a fixed rate of interest not to be less than prime lending rates plus 2%. Interest rate risk is low due to new loans being approved at the current prime lending rate.

Liquidity Risk

Liquidity risk is the risk the corporation will not be able to meet a demand for cash or fund its obligations as they become due. The corporation is exposed to this risk mainly in respect of its accounts payable, advance and loan from Western Economic Diversification and due to Beaver River Community Futures and Visions Community Futures. The corporation manages liquidity risk through its budget process and monitoring of loans.

12. COMMITMENTS:

The organization is committed to disbursing \$464,827.09 of loans after the year end. This balance includes funds available to borrowers with previously approved line of credit agreements.

13. PENSION:

Employees of Meridian Community Futures Development Corporation participate in a group community futures retirement plan with London Life. The corporations financial obligation to the plan is limited to making required payments to match amounts contributed by employees for current services. Pension expense for the year amounted to \$11,613 (2019 - \$10,160).