

**MERIDIAN COMMUNITY FUTURE
DEVELOPMENT CORPORATION**

Independent Auditor's Report

Financial Statements - March 31, 2021

Approved by MCFDC Board of Directors:



Director

Dated: June 17, 2021

CHBB

Chartered Professional Accountants
KINDERSLEY, SASKATCHEWAN



CHARTERED PROFESSIONAL ACCOUNTANTS

Telephone (306) 463-6591 Fax (306) 463-4292

Partners

A.R. Bertoia, B.Comm., CPA, CA*
K.L. Blanchette, B.Comm., CPA, CA*
A.E. Bower, BBA, CPA, CA*

117 - 1st Avenue W - PO Box 1507
KINDERSLEY, SK S0L 1S0

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, 2021, 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, 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 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.

- 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.

A handwritten signature in black ink, consisting of the letters 'CHBB' in a stylized, cursive font, with a long horizontal flourish underneath.

KINDERSLEY, Saskatchewan

Chartered Professional Accountants

June 1, 2021



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INDEPENDENT PRACTITIONER'S REASONABLE ASSURANCE REPORT ON COMPLIANCE

To the Board of Directors of Meridian Community Futures Development Corporation

We have undertaken a reasonable assurance engagement of the accompanying statement of Meridian Community Futures Development Corporation's (MCFDC) compliance during the period April 1, 2020 to March 31, 2021, with the criteria established in the Contribution Agreement between Western Economic Diversification and the MCFDC. "the Agreement" dated May 6 2018 and the interpretation of the Agreement as set out in Schedule 1 attached.

Management's Responsibility

Management is responsible for measuring and evaluating the MCFDC's compliance with the specified requirements of the agreement and for preparing the MCFDC's statement of compliance. Management is also responsible for such internal control as management determines necessary to enable the MCFDC's compliance with the specified requirements.

Our Responsibility

Our responsibility is to express a reasonable assurance opinion on management's statement based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with Canadian Standard on Assurance Engagements 3531, *Direct Engagements to Report on Compliance*. This standard requires that we plan and perform this engagement to obtain reasonable assurance about whether management's statement is fairly stated, in all material respects.

Reasonable assurance is a high level of assurance but is not a guarantee that an engagement conducted in accordance with this standard will always detect a material instance of non-compliance with specified requirements when it exists. Instances of non-compliance can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users of our report. A reasonable assurance compliance reporting engagement involves performing procedures to obtain evidence about management's statement of the MCFDC's compliance with specified requirements. The nature, timing and extent of procedures selected depends on our professional judgment, including an assessment of the risks of material misstatement of management's statement, whether due to fraud or error, and involves obtaining evidence about management's statement.

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

Our Independence and Quality Control

We have complied with the relevant rules of professional conduct / code of ethics applicable to the practice of public accounting and related to assurance engagements, issued by various professional accounting bodies, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Canadian Standard on Quality Control 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements*, and, accordingly, maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Opinion

In our opinion, management's statement that Meridian Community Futures Development Corporation complied with the specified requirements established in the agreement during the period April 1, 2020 to March 31, 2021 is fairly stated, in all material respects.

We do not provide a legal opinion on Meridian Community Futures Development Corporation's compliance with the specified requirements.

Purpose of Statement

Management's statement of compliance has been prepared to report to Western Economic Diversification of Canada on Meridian Community Futures Development Corporation's compliance with the specified requirements established in the agreement. As a result, management's statement of compliance may not be suitable for another purpose.

A handwritten signature in black ink, consisting of the letters 'CHBB' in a stylized, cursive font, enclosed within a large, sweeping underline that curves back under the letters.

KINDERSLEY, Saskatchewan

June 1, 2021

Chartered Professional Accountants

MERIDIAN COMMUNITY FUTURES DEVELOPMENT CORPORATION

Statement of Financial Position
March 31, 2021

	<u>Operations</u>	<u>Investment</u>	<u>Programs</u>	<u>Total</u>
			<u>Assets</u>	<u>2021</u>
				<u>2020</u>
Current assets:				
Operating cash	\$ 251,409	2,065,022	559,096	2,875,527
Interest receivable	-	9,843	101	9,917
Other receivables	7,513	-	-	7,513
Due from investment fund	-	-	244,600	244,600
Prepays	4,891	-	-	4,891
Total current assets	<u>263,813</u>	<u>2,074,865</u>	<u>803,797</u>	<u>3,142,475</u>
Long-term assets:				
Loans receivable (Note 3)	-	1,831,442	1,804,147	3,635,589
Equity in Co-ops	359	-	-	359
Capital assets (Note 4)	6,697	-	-	6,697
Total long-term assets	<u>7,056</u>	<u>1,831,442</u>	<u>1,804,147</u>	<u>3,642,645</u>
Total Assets	<u>\$ 270,869</u>	<u>3,906,307</u>	<u>2,607,944</u>	<u>4,463,699</u>
		<u>Liabilities & Fund Balances</u>		
Current liabilities:				
Advance from Western Economic	\$ -	-	-	24,108
Diversification	45,101	1,600	-	46,701
Accounts payable	-	244,600	-	244,600
Due to program fund	-	-	-	-
Loan from Western Economic	-	-	400,000	400,000
Diversification (Note 6 & 7)	45,101	246,200	400,000	691,301
Total current liabilities	<u>45,101</u>	<u>246,200</u>	<u>400,000</u>	<u>443,877</u>
Long-term liabilities:				
Due to Community Futures	-	-	1,971,600	-
Saskatchewan (Note 8)	-	-	-	-
Due to Beaver River Community	-	42,669	-	42,669
Futures (Note 9)	-	-	-	-
Due to Visions Community	-	42,669	-	42,669
Futures (Note 9)	-	42,669	-	-
Total long-term liabilities	<u>42,669</u>	<u>85,338</u>	<u>1,971,600</u>	<u>42,669</u>
Fund Balances				
Externally restricted	-	3,574,769	236,344	3,726,181
Internally restricted	24,680	-	-	24,680
Invested in capital assets	6,697	-	-	6,697
Unrestricted	194,391	-	-	194,391
Total fund balances	<u>225,768</u>	<u>3,574,769</u>	<u>236,344</u>	<u>3,934,484</u>
Total Liabilities & Fund Balances	<u>\$ 270,869</u>	<u>3,906,307</u>	<u>2,607,944</u>	<u>4,463,699</u>

Approved on behalf of the Board

See accompanying notes to financial statements.

Director

MERIDIAN COMMUNITY FUTURES DEVELOPMENT CORPORATION

Statement of Operations

March 31, 2021

	2021			Total
	Budget	Operations	Investment	Programs
				2021
				2020
Revenues				
Loan interest	\$ -	-	103,402	6,827
Investment interest	-	1,983	12,847	3,834
W.E.D contributions (Note 5):				
Operating	297,669	297,671	-	-
Other income (Note 10)	<u>97,721</u>	<u>161,484</u>	-	<u>161,484</u>
	395,390	461,138	116,249	588,048
Charge for loan impairment (Note 3)	-	-	49,011	(40,845)
				<u>8,166</u>
Income before operating expenses	395,390	461,138	165,260	(30,184)
Expenses (Schedule 1)				
Personnel	326,713	288,470	-	-
Occupancy	33,350	28,971	-	-
Loan administration	4,200	2,610	-	-
Economic development	15,275	42,987	-	-
Organizational	8,100	1,921	-	-
General	<u>57,752</u>	<u>126,218</u>	144	-
	445,390	491,177	144	-
Income (loss) before the following items: \$	<u>(50,000)</u>	(30,039)	165,116	(30,184)
Amortization		<u>(2,496)</u>	-	-
Net income (loss) for the year		\$ <u>(32,535)</u>	<u>165,116</u>	<u>(30,184)</u>
				<u>102,397</u>
				<u>(3,790)</u>
				<u>139,564</u>
				<u>406,736</u>
				<u>236,443</u>
				<u>28,199</u>
				<u>6,006</u>
				<u>15,076</u>
				<u>4,464</u>
				<u>116,548</u>
				<u>297,669</u>
				<u>68,772</u>
				<u>524,640</u>
				<u>21,660</u>
				<u>546,300</u>

MERIDIAN COMMUNITY FUTURES DEVELOPMENT CORPORATION

Statement of Fund Balances

March 31, 2021

	2021			Total		
	Budget	Operations	Investment	Programs	2021	2020
Fund balances, beginning of year	\$ 150,664	208,303	3,459,653	266,528	3,934,484	3,798,710
Net income (loss) for the year	(50,000)	(32,535)	165,116	(30,184)	102,397	135,774
Interfund transfers (Note 11)	<u>50,000</u>	<u>50,000</u>	<u>(50,000)</u>	-	-	-
Fund balances, end of year	<u>\$ 150,664</u>	<u>225,768</u>	<u>3,574,769</u>	<u>236,344</u>	<u>4,036,881</u>	<u>3,934,484</u>

See accompanying notes to financial statements.

MERIDIAN COMMUNITY FUTURES DEVELOPMENT CORPORATION

Statement of Cash Flow

March 31, 2021

	<u>2021</u>		<u>Total</u>		
	<u>Operations</u>	<u>Investment</u>	<u>Programs</u>	<u>2021</u>	<u>2020</u>
Cash flow from (used in) operating activities:					
Operations:					
Net income (loss) for the year	\$ (32,535)	165,116	(30,184)	102,397	135,774
Less non-cash items:					
Charge for loan impairment	-	(49,011)	40,845	(8,166)	(91,177)
Amortization	<u>2,496</u>	-	-	<u>2,496</u>	<u>3,790</u>
	(30,039)	116,105	10,661	96,727	48,387
Changes in noncash working capital components:					
Accounts receivable	34,201	(2,500)	2,473	34,174	(39,578)
Prepaid expenses	(3,907)	-	-	(3,907)	(42)
Accounts payable	25,328	1,600	-	26,928	3,770
Deferred revenue - WED advances	(24,108)	-	-	(24,108)	(698)
Interfund balances	-	<u>244,600</u>	<u>(244,600)</u>	-	-
	<u>31,514</u>	<u>243,700</u>	<u>(242,127)</u>	<u>33,087</u>	<u>(36,548)</u>
	1,475	359,805	(231,466)	129,814	11,839
Cash flow from (used in) financing & investing activities:					
Loans receivable	-	42,690	1,793,105	1,750,415	665,825
Due to other Community Futures	-	-	-	-	(1,500)
Loan from Community Futures	-	-	-	-	-
Saskatchewan	-	-	<u>1,971,600</u>	<u>1,971,600</u>	-
	-	<u>42,690</u>	<u>178,495</u>	<u>221,185</u>	<u>664,325</u>
Net increase (decrease) in cash	1,475	402,495	(52,971)	350,999	676,164
Cash, beginning of year	199,934	1,712,527	612,067	2,524,528	1,848,364
Interfund transfers (Note 11)	<u>50,000</u>	<u>(50,000)</u>	-	-	-
Cash, end of year	<u>\$ 251,409</u>	<u>2,065,022</u>	<u>559,096</u>	<u>2,875,527</u>	<u>2,524,528</u>

See accompanying notes to financial statements.

MERIDIAN COMMUNITY FUTURES DEVELOPMENT CORPORATION

Schedule 1 - Schedule of Expenses

March 31, 2021

	<u>2021</u>		
	<u>Budget</u>	<u>Operations</u>	<u>2020</u>
Personnel			
Contracted positions	\$ 45,113	-	-
Staff development	7,500	13,076	6,552
Staff travel	11,000	341	5,046
Wages and benefits	<u>263,100</u>	<u>275,053</u>	<u>224,845</u>
	326,713	288,470	236,443
Occupancy			
Insurance	2,150	1,417	1,576
Repairs & maintenance	3,600	2,969	5,023
Rent	<u>27,600</u>	<u>24,585</u>	<u>21,600</u>
	33,350	28,971	28,199
Loan Administration			
Loan administration	4,200	2,610	6,006
Economic Development			
Business development	10,925	280	750
CED initiatives	-	42,707	10,976
Youth camp	4,350	-	3,350
Youth events	<u>-</u>	<u>-</u>	<u>-</u>
	15,275	42,987	15,076
Organizational			
Board development	4,500	1,620	1,647
Board travel	<u>3,600</u>	<u>301</u>	<u>2,817</u>
	8,100	1,921	4,464
General			
Advertising & promotions	3,650	19,809	15,686
Bank charges	-	80	188
Equipment rental	720	-	-
GST expense	3,995	4,075	2,536
Information technology	10,800	15,859	10,730
Lemonade game	-	-	410
Library	3,117	-	399
Office supplies	3,600	5,141	4,115
Printing & photocopy	3,000	1,150	1,669
Postage	720	453	403
Professional fees	16,050	14,077	14,779
Memberships	900	450	450
CROP project	-	48,520	56,016
Miscellaneous - ineligible for WED Funding	-	1,370	475
Telephone	8,100	8,142	8,333
Client training & development	600	7,092	359
Net capital assets purchased (sold)	<u>2,500</u>	<u>-</u>	<u>-</u>
	<u>57,752</u>	<u>126,218</u>	<u>116,548</u>
	<u>445,390</u>	<u>491,177</u>	<u>406,736</u>

MERIDIAN COMMUNITY FUTURES DEVELOPMENT CORPORATION

Schedule 2- Schedule of Programs
Balance Sheet

March 31, 2021

	Assets			
	<u>RRRF</u>	<u>RIF</u>	<u>EDP</u>	<u>Total</u>
Current assets:				
Cash and short-term investments	\$ -	322,026	237,070	559,096
Due from investment fund	244,600	-	-	244,600
Interest and other receivables	-	-	101	101
Total current assets	<u>244,600</u>	<u>322,026</u>	<u>237,171</u>	<u>803,797</u>
Long-term assets:				
Loans receivable, net of allowance on EDP \$81,937	<u>1,727,000</u>	<u>22,984</u>	<u>54,163</u>	<u>1,804,147</u>
	<u>\$1,971,600</u>	<u>345,010</u>	<u>291,334</u>	<u>2,607,944</u>
	Liabilities & Fund Balances			
Current liabilities:				
Loan from Western Economic Diversification (Note 6 & 7)	\$ -	200,000	200,000	400,000
Long-term liabilities:				
Due to Community Futures Saskatchewan (Note 8)	1,971,600	-	-	1,971,600
Fund balance, per accompanying schedule	<u>-</u>	<u>145,010</u>	<u>91,334</u>	<u>236,344</u>
	<u>\$1,971,600</u>	<u>345,010</u>	<u>291,334</u>	<u>2,607,944</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, 2021

	<u>RRRF</u>	<u>RIF</u>	<u>EDP</u>	<u>Total</u>
Revenue:				
Loan interest	\$ -	1,124	5,703	6,827
Investment interest	-	2,249	1,585	3,834
Recovery of bad debts	-	-	-	-
Program funding and other	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	-	3,373	7,288	10,661
Expenses				
Program expenses	-	-	-	-
Charge for loan impairment	-	-	40,845	40,845
	<u>-</u>	<u>-</u>	<u>40,845</u>	<u>40,845</u>
	-	-	40,845	40,845
Income (loss) before the following items:	-	3,373	(33,557)	(30,184)
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	-	3,373	(33,557)	(30,184)
Fund balance, beginning of year	-	141,637	124,891	266,528
Interfund transfers (Note 11)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>145,010</u>	<u>91,334</u>	<u>236,344</u>

See accompanying notes to financial statements.

MERIDIAN COMMUNITY FUTURES DEVELOPMENT CORPORATION

Notes to Financial Statements

March 31, 2021

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, 2021

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, 2021

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

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3. LOAN RECEIVABLE:

<u>Classification</u>	<u>Principal</u>	<u>Allowance</u>	<u>2021 Net Loan Balance</u>	<u>2020 Net Loan Balance</u>
Agriculture, crop & animal production	\$ 540,000	-	540,000	9,947
Educational services	81,357	-	81,357	-
Oilfield services	853,988	-	853,988	159,854
Manufacturing & construction	153,594	36,937	116,657	51,285
Transportation & warehousing	367,625	117,460	250,165	296,288
Information & cultural	-	-	-	95,960
Retail Trade	454,241	49,168	405,073	236,675
Admin & Support	213,493	75,000	138,493	156,023
Health services	87,973	-	87,973	62,608
Accommodation & food services	60,000	-	60,000	48,295
Other services	874,923	67,050	807,873	609,873
Professional, Scientific & Technical	125,868	-	125,868	76,597
Arts, Entertainment & Recreation	168,142	-	168,142	73,603
	<u>\$ 3,981,204</u>	<u>345,615</u>	<u>3,635,589</u>	<u>1,877,008</u>

Outstanding loans to entrepreneurs are interest bearing at fixed rates varying from 0% to 9% 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 of 2020, 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:

	<u>Investment</u>	<u>Programs</u>	<u>2021</u>	<u>2020</u>
Opening balance	\$ 310,907	40,000	350,907	442,084
Charge for loan impairment	(47,229)	41,937	(5,292)	(19,238)
Recovery of amounts previously written off	<u>(1,782)</u>	<u>(1,092)</u>	<u>(2,874)</u>	<u>(2,422)</u>
Net charge to income statement for loan impairment	(49,011)	40,845	(8,166)	(21,660)
Amounts written off	-	-	-	<u>(71,939)</u>
Closing balance	<u>\$ 263,678</u>	<u>81,937</u>	<u>345,615</u>	<u>350,907</u>

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4. CAPITAL ASSETS:

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net 2021</u>	<u>Net 2020</u>
Computer equipment	\$ 59,430	(57,968)	1,462	2,649
Equipment	91,808	(86,573)	5,235	6,544
Software	<u>2,846</u>	<u>(2,846)</u>	<u>-</u>	<u>-</u>
	<u>\$ 154,084</u>	<u>(147,387)</u>	<u>6,697</u>	<u>9,193</u>

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

The current year operating funding approved by W.E.D. was \$297,669 plus an additional \$66,000 to support additional operational costs relating to the RRRF program (Note 8). W.E.D. operating contributions have been approved to March 31, 2026 as follows: 2022 - \$297,669; 2023 - \$297,669; 2024 - \$297,669; 2025 - \$297,669; 2026 - \$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, 2026 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, 2021.

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 CF Meridian Region has utilized these funds for repayable loans under the Micro Loan Program for loans up to \$25,000 for small businesses.

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.

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8. REGIONAL RELIEF AND RECOVERY FUND (RRRF):

Repayable Regional Relief and Recovery Fund contributions are to provide loans to small and medium sized enterprises (referred to as "Secondary Borrowers") with interest free emergency relief during the COVID-19 Pandemic. The corporation received \$1,971,600 in funds to lend to secondary borrowers as "RRRF loans" during 2020-2021.

The RRRF loans shall remain interest free to December 31, 2022. On January 1, 2023 the RRRF loans bear interest of up to 5% per annum with borrowers making monthly payments based on an amortization period of January 1, 2023 to December 31, 2025.

On December 31, 2022 any portion of the funds advanced by Community Futures Saskatchewan Inc. through the Community Futures Saskatchewan Investment Pool (CFSIP) to Meridian Community Futures Development Corporation (MCFDC) that have not been advanced to a secondary borrower by virtue of a RRRF loan shall be repaid by the MCFDC to CFSIP within 10 business days of said date. The balance of the loan repayable to CFSIP shall be the total of the principal amount owing as of January 1, 2023 on all RRRF loans made by MCFDC, less any portion of said loan amounts forgiven under the loan agreement; less write offs incurred; and less reasonable cost, charges and expenses which they have incurred while enforcing repayment by December 31, 2025.

Loan amounts to secondary borrowers that may be forgiven under the loan agreement are:

- If secondary borrowers repay 75% of their outstanding RRRF loan obligation of up to \$40,000.00 on or before December 31, 2022, the remaining 25% of the repayable balance will be forgiven;
- If secondary borrowers have fully satisfied their obligations to repay their RRRF loan on or before December 31, 2022 and further repay 50% of any outstanding RRRF expansion loan obligation of up to \$20,000, the remaining 50% of the repayable expansion loan balance will be forgiven.

9. 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.

10. OTHER INCOME:

	<u>2021</u>	<u>2020</u>
Operations:		
Business development fees	\$ 12,100	10,814
CROP project income	46,412	52,963
RRRF project income	91,000	-
Other project income	2,425	2,695
Miscellaneous	<u>9,547</u>	<u>2,300</u>
	<u>\$ 161,484</u>	<u>68,772</u>

11. 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.

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12. 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.

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 in the investment fund 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.

13. COMMITMENTS:

The organization is committed to disbursing \$505,634.64 of loans after the year end. This balance includes funds available to borrowers with previously approved line of credit agreements.

14. PENSION:

Employees of Meridian Community Futures Development Corporation participate in a group community futures retirement plan with London Life. The corporation's 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 \$12,646 (2020 - \$11,613).

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15. COVID - 19 PANDEMIC:

The COVID-19 pandemic is complex and rapidly evolving. It has caused material disruption to businesses and has resulted in an economic slowdown. The organization continues to assess and monitor the impact of COVID-19 on its financial condition. The magnitude and duration of COVID-19 is uncertain and, accordingly, it is difficult to reliably measure the potential future impact on the organization's financial position and operations.