

BRANT COMMUNITY FUTURES DEVELOPMENT CORPORATION

(Operating as "ENTERPRISE BRANT")

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2021

BRANT COMMUNITY FUTURES DEVELOPMENT CORPORATION

(Operating as "ENTERPRISE BRANT")

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YEAR ENDED MARCH 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Members of: Brant Community Futures Development Corporation

Opinion

We have audited the accompanying financial statements of Brant Community Futures Development Corporation, which comprise the statement of financial position as at March 31, 2021 and the statements of changes in fund balances, revenues and expenditures and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Brant 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 of 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 Brant 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 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 a 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 judgement 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 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.



Guelph, Ontario
May 17, 2021

Chartered Professional Accountants
Licensed Public Accountants

BRANT COMMUNITY FUTURES DEVELOPMENT CORPORATION

(Operating as "ENTERPRISE BRANT")

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2021

	Board Fund	General Fund	Investment Fund	Total 2021	Total 2020
ASSETS					
CURRENT					
Cash	\$ 833,083	\$ 234,582	\$ 1,255,315	\$ 2,322,980	\$ 1,548,793
Accounts receivable	0	12,648	3,279	15,927	22,797
Prepaid expenses	<u>0</u>	<u>5,473</u>	<u>0</u>	<u>5,473</u>	<u>4,553</u>
	<u>833,083</u>	<u>252,703</u>	<u>1,258,594</u>	<u>2,344,380</u>	<u>1,576,143</u>
NON-CURRENT					
Investments (note 5)	818,532	0	1,591,986	2,410,518	2,455,659
Loans receivable (note 4)	<u>1,054,631</u>	<u>0</u>	<u>3,982,915</u>	<u>5,037,546</u>	<u>4,962,523</u>
	<u>1,873,163</u>	<u>0</u>	<u>5,574,901</u>	<u>7,448,064</u>	<u>7,418,182</u>
CAPITAL ASSETS (note 6)	<u>0</u>	<u>10,071</u>	<u>0</u>	<u>10,071</u>	<u>11,443</u>
	<u>\$ 2,706,246</u>	<u>\$ 262,774</u>	<u>\$ 6,833,495</u>	<u>\$ 9,802,515</u>	<u>\$ 9,005,768</u>
LIABILITIES					
CURRENT					
Accounts payable and accrued liabilities	\$ 0	\$ 172,741	\$ 0	\$ 172,741	\$ 33,002
WORC loan pool (note 7)	0	0	337,834	337,834	403,082
NON-CURRENT					
Deferred government funding (note 10)	<u>0</u>	<u>51,468</u>	<u>0</u>	<u>51,468</u>	<u>51,468</u>
	<u>0</u>	<u>224,209</u>	<u>337,834</u>	<u>562,043</u>	<u>487,552</u>
FUND BALANCES					
Internally restricted net assets	0	38,565	0	38,565	56,574
Externally restricted net assets	0	0	6,495,661	6,495,661	5,642,544
Unrestricted net assets	<u>2,706,246</u>	<u>0</u>	<u>0</u>	<u>2,706,246</u>	<u>2,819,098</u>
	<u>2,706,246</u>	<u>38,565</u>	<u>6,495,661</u>	<u>9,240,472</u>	<u>8,518,216</u>
	<u>\$ 2,706,246</u>	<u>\$ 262,774</u>	<u>\$ 6,833,495</u>	<u>\$ 9,802,515</u>	<u>\$ 9,005,768</u>

BRANT COMMUNITY FUTURES DEVELOPMENT CORPORATION

(Operating as "ENTERPRISE BRANT")

STATEMENT OF CHANGES IN FUND BALANCES

FOR THE YEAR ENDED MARCH 31, 2021

	Board Fund	General Fund	Investment Fund	Total 2021	Total 2020
Balance , beginning of year	\$ <u>2,819,098</u>	\$ <u>56,574</u>	\$ <u>5,642,544</u>	\$ <u>8,518,216</u>	\$ <u>8,320,550</u>
Revenues	(12,284)	609,560	1,220,261	1,817,537	783,984
Expenditures	<u>(568)</u>	<u>(727,569)</u>	<u>(367,144)</u>	<u>(1,095,281)</u>	<u>(586,318)</u>
Net (deficit) surplus from operations	(12,852)	(118,009)	853,117	722,256	197,666
Transfers (note 9)	<u>(100,000)</u>	<u>100,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>(112,852)</u>	<u>(18,009)</u>	<u>853,117</u>	<u>722,256</u>	<u>197,666</u>
Balance , end of year	\$ <u>2,706,246</u>	\$ <u>38,565</u>	\$ <u>6,495,661</u>	\$ <u>9,240,472</u>	\$ <u>8,518,216</u>

BRANT COMMUNITY FUTURES DEVELOPMENT CORPORATION

(Operating as "ENTERPRISE BRANT")

STATEMENT OF REVENUES AND EXPENDITURES

FOR THE YEAR ENDED MARCH 31, 2021

	Board Fund	General Fund	Investment Fund	Total 2021	Total 2020
REVENUE					
Government contributions	\$ 0	\$ 599,999	\$ 962,407	\$ 1,562,406	\$ 252,121
Loan interest income	2,814	0	321,567	324,381	416,347
Bank interest income	1,242	35	48,287	49,564	93,530
Miscellaneous	160	9,466	0	9,626	25,105
Program funding	0	60	0	60	1,381
Unrealized loss on investment	(16,500)	0	(112,000)	(128,500)	(4,500)
	<u>(12,284)</u>	<u>609,560</u>	<u>1,220,261</u>	<u>1,817,537</u>	<u>783,984</u>
EXPENDITURES					
Salaries and benefits	0	267,410	0	267,410	256,016
Occupancy and equipment	0	58,161	0	58,161	53,877
Bad debts	0	0	172,444	172,444	168,647
Provision for forgiveness of RRRF loans	0	0	176,037	176,037	0
Administration	568	45,263	0	45,831	44,870
Loan pool interest	0	0	13,469	13,469	13,617
Professional fees	0	12,472	4,475	16,947	31,657
Special projects	0	141,442	0	141,442	11,211
Special projects - RRRF	0	197,482	0	197,482	0
Amortization of capital assets	0	1,373	0	1,373	1,373
Miscellaneous	0	3,020	0	3,020	2,660
Bank charges	0	946	719	1,665	2,390
	<u>568</u>	<u>727,569</u>	<u>367,144</u>	<u>1,095,281</u>	<u>586,318</u>
NET (DEFICIT) SURPLUS FROM OPERATIONS	<u>\$ (12,852)</u>	<u>\$ (118,009)</u>	<u>\$ 853,117</u>	<u>\$ 722,256</u>	<u>\$ 197,666</u>

BRANT COMMUNITY FUTURES DEVELOPMENT CORPORATION*(Operating as "ENTERPRISE BRANT")***STATEMENT OF CASH FLOWS****FOR THE YEAR ENDED MARCH 31, 2021**

	2021	2020
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Net surplus for the year	\$ 722,256	\$ 197,666
Items not requiring an outlay of cash		
Amortization of capital assets	1,373	1,373
Unrealized loss on investment	<u>128,500</u>	<u>4,500</u>
	852,129	203,539
Changes in non-cash working capital		
Accounts receivable	6,870	7,339
Prepaid expenses	(920)	714
Accounts payable and accrued liabilities	139,739	(8,617)
WORC loan pool	<u>(65,248)</u>	<u>134,367</u>
	<u>932,570</u>	<u>337,342</u>
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Additions to capital assets	0	(6,958)
Investments	(83,360)	(7,838)
Loans receivable	<u>(75,023)</u>	<u>(81,104)</u>
	<u>(158,383)</u>	<u>(95,900)</u>
NET INCREASE IN CASH	774,187	241,442
NET CASH, BEGINNING OF YEAR	<u>1,548,793</u>	<u>1,307,351</u>
NET CASH, END OF YEAR	<u>\$ 2,322,980</u>	<u>\$ 1,548,793</u>

BRANT COMMUNITY FUTURES DEVELOPMENT CORPORATION

(Operating as "ENTERPRISE BRANT")

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2021

1. NATURE OF ORGANIZATION

Brant Community Futures Development Corporation (operating as "Enterprise Brant") is a not for profit organization incorporated under the laws of Ontario without share capital and is exempt from tax under section 149(1)(l) of the Income Tax Act. Its purpose is to encourage job creation and community economic development through the provision of business loans, consulting and other programs to support self-employment and small business in Brant County.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian accounting standards for not for profit organizations and include the following significant accounting policies:

(a) REVENUE RECOGNITION

The organization follows the restricted fund method of accounting for contributions in which restricted contributions are recognized upon receipt in the appropriate fund corresponding to the purpose for which they were contributed. Restricted contributions of the general fund or investment fund are recognized as revenue when the related expenditure occurs. Unrestricted contributions are recognized in the Board fund when received or receivable and collection is reasonably assured.

Loan interest income is recognized periodically throughout the year, based on the terms of the underlying contract, when payment becomes receivable and collection is reasonably assured.

(b) FUND ACCOUNTING

Board Fund

The Board fund reports resources available for the organization's general operating activities, as approved by the Board of Directors.

General Fund

The general fund reports resources that relate to program delivery and administrative activities funded by the Federal Economic Development Agency for Southern Ontario and transfers from the Board Fund and Investment Fund with authorization from the Board of Directors. This fund is internally restricted to ensure the funding received from agencies for specific community development activities are utilized in the proper manner.

Investment Fund

The investment fund reports resources that are available to provide financing for new and existing enterprises in order to protect or create new jobs. This fund is externally restricted.

(c) CAPITAL ASSETS

Capital assets are recorded at cost and amortized on the basis of their estimated useful life using the following methods and rates:

Furniture and fixtures	- 10 years straight line basis
Computer hardware	- 3 years straight line basis
Leaseholds	- 5 years straight line basis

Amortization is recorded at 50% of the above rates in the year of addition.

BRANT COMMUNITY FUTURES DEVELOPMENT CORPORATION

(Operating as "ENTERPRISE BRANT")

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) USE OF ESTIMATES

The preparation of financial statements in conformity with Canadian generally accepted accounting principles for not for profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant areas requiring management's estimates include allowance for doubtful accounts and useful lives of capital assets. Actual results could differ from those estimates.

(e) FINANCIAL INSTRUMENTS

Measurement of financial instruments

The organization initially measures its financial assets and liabilities at fair value. The organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments which are measured at fair value. Changes in fair value are recognized in net surplus.

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. If impairment has occurred, the carrying amount of financial assets measured at amortized cost is reduced to the greater of the discounted future cash flows expected or the proceeds that could be realized from the sale of the financial asset. The amount of the write-down is recognized in net surplus. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no 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 surplus.

Transaction costs

The organization recognizes its transaction costs in net income in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

3. FINANCIAL INSTRUMENTS

Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, credit, currency, liquidity, or other price risks arising from the financial instruments. The extent of the organization's exposure to these risks did not change in 2021 compared to the previous period, except as noted in note 11.

The organization does not have a significant exposure to any individual customer or counterpart.

BRANT COMMUNITY FUTURES DEVELOPMENT CORPORATION*(Operating as "ENTERPRISE BRANT")***NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED MARCH 31, 2021****4. LOANS RECEIVABLE**

The outstanding loans receivable bear interest at various rates and have fixed terms of up to twenty years. For variable loans, the organization sets out a business prime rate and adds 2%, plus an additional percentage depending upon the perceived risk of the loan. The business prime rate at year end was 2.45%. In the current year, the organization received \$1,294,778 from the Federal Economic Development Agency for Southern Ontario from the Regional Relief and Recovery Fund ("RRRF"). Of this total, \$962,407 was to go towards loans to support local businesses. These loans are non-interest bearing until December 31, 2022, with a forgivable portion if the balance is repaid by that date. Beginning on January 1, 2023 the loans will earn interest at 5%, with the balance repayable by December 31, 2025.

	2021	2020
Balance, beginning of the year	\$ 4,962,523	\$ 4,881,419
RRRF loans advanced during the year	868,650	0
Other loans advanced during the year	629,944	2,208,298
Loans repaid during the year	<u>(628,336)</u>	<u>(1,638,245)</u>
Balance, being principal receivable at year end	5,832,781	5,451,472
Accrued interest	29,324	25,385
Allowance for forgiveness of RRRF loans	(176,037)	0
Allowance for doubtful accounts	<u>(648,522)</u>	<u>(514,334)</u>
Balance, end of year	<u>\$ 5,037,546</u>	<u>\$ 4,962,523</u>

The allowance for doubtful accounts is determined based on historical loss records. Management uses the percentage of uncollected loans from previous years to establish a percentage for uncollectable loans in the future.

The balance is comprised of:

Board fund loans receivable	\$ 1,054,631	\$ 1,066,821
Investment fund loans receivable	<u>3,982,915</u>	<u>3,895,702</u>
	<u>\$ 5,037,546</u>	<u>\$ 4,962,523</u>

BRANT COMMUNITY FUTURES DEVELOPMENT CORPORATION*(Operating as "ENTERPRISE BRANT")***NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED MARCH 31, 2021****5. INVESTMENTS**

The organization, together with three other Community Futures Development Corporations, holds an equity investment in the Integrated Grain Processors Co-operative Inc. ("IGPC"). The organization's share of the investment consists of the shares below, recorded at fair market value. Total investments are comprised of the following:

	2021	2020
1 IGPC voting membership share	\$ 100	\$ 100
30,000 IGPC (2020 - 37,500) non-voting, Class E Preference shares	95,647	173,625
Guaranteed investment certificates, with maturity dates between May 2021 and February 2022, with interest rates ranging from 1.00% to 2.10%	2,314,771	0
Guaranteed investment certificates matured in the year	<u>0</u>	<u>2,281,934</u>
	<u>\$ 2,410,518</u>	<u>\$ 173,725</u>

The balance is comprised of:

Board fund investments	\$ 818,532	\$ 825,068
Investment fund investments	<u>1,591,986</u>	<u>1,630,591</u>
	<u>\$ 2,410,518</u>	<u>\$ 2,455,659</u>

6. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 2021	Net 2020
Furniture and fixtures	\$ 35,751	\$ 33,934	\$ 1,817	\$ 2,100
Computer hardware	34,226	28,729	5,497	6,254
Leaseholds	<u>53,382</u>	<u>50,625</u>	<u>2,757</u>	<u>3,089</u>
	<u>\$ 123,359</u>	<u>\$ 113,288</u>	<u>\$ 10,071</u>	<u>\$ 11,443</u>

7. WORC LOAN POOL

The organization has obtained loan funding from the Western Ontario Rural Capital pool, administered by the Western Ontario Community Futures Development Corporation Association. The first loan has a 7 year term, annual interest rate of 2.70%, principal balance of \$66,515 and a maturity date of June 2024. The second loan has a 7 year term, annual interest rate of 3.95%, principal balance of \$271,319 and maturity date of June 2026.

BRANT COMMUNITY FUTURES DEVELOPMENT CORPORATION

(Operating as "ENTERPRISE BRANT")

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2021

8. COMMITMENTS

As of June 2020, the organization renewed their contract to lease their current premises, which runs until June 2023. Future minimum lease payments are as follows:

2022	\$	32,670
2023		<u>8,168</u>
	\$	<u><u>40,838</u></u>

9. TRANSFERS

During the year, the Board approved a transfer of \$100,000 from the Board Fund to the General Fund for general operations. In the prior year, the Board approved a transfer of \$100,000 from the Investment Fund to the General Fund and a transfer of \$2,554,800 from the Investment Fund to the Board Fund, representing the net assets from the initial Sand Plains contribution of \$1,990,000 contributed surplus, since the external restrictions on those Sand Plains funds had expired.

10. DEFERRED GOVERNMENT FUNDING

Deferred government funding, which consists of funding received from Industry Canada and the Ministry of Training, Colleges and Universities, is as follows:

	2021	2020
Balance, beginning of the year	\$ 51,468	\$ 51,468
Less amount recognized as revenue in the year	0	0
Plus amount received related to the following year	<u>0</u>	<u>0</u>
Balance, end of year	\$ <u><u>51,468</u></u>	\$ <u><u>51,468</u></u>

11. MATERIAL UNCERTAINTY DUE TO THE NOVEL CORONAVIRUS (COVID-19)

During and subsequent to year end, the impact of the Novel Coronavirus (COVID-19) in Canada and on the global economy increased significantly. This global pandemic has disrupted economic activities and has resulted in many non-essential small businesses implementing a system-wide closure of programming and services due to government regulations. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration of business disruption and the related financial impact cannot be reasonably estimated at this time. A number of loan clients will be affected by this economic shutdown and, accordingly, may fall into cash flow troubles or become a going concern threat. This may effect the organization's ability to collect on loans. Accordingly, the organization has increased its provision for loan losses as a result of this risk. Further, the timing and amounts realized on the organization's assets as well as its future ability to deliver all programming may be impacted by the evolving circumstances of the virus.