

BRANT COMMUNITY FUTURES DEVELOPMENT CORPORATION

(Enterprise Brant "ENTERPRISE BRANT")

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

BRANT COMMUNITY FUTURES DEVELOPMENT CORPORATION

(Enterprise Brant "ENTERPRISE BRANT")

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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, 2019 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, 2019 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.

A further description of the auditor's responsibilities for the audit of the financial statements is located at RLB LLP's website at: www.rlb.ca/additional-auditor-responsibilities. This description forms part of our auditor's report.

Handwritten signature of RLB LLP in black ink.

Guelph, Ontario
May 21, 2019

Chartered Professional Accountants
Licensed Public Accountants

BRANT COMMUNITY FUTURES DEVELOPMENT CORPORATION

(Operating as "ENTERPRISE BRANT")

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2019

	Board Fund	General Fund	Investment Fund	Total 2019	Total 2018
ASSETS					
CURRENT					
Cash	\$ 175,567	\$ 0	\$ 0	\$ 175,567	\$ 168,308
Investments (note 5)	35,625	0	0	35,625	35,275
Loans receivable (note 4)	47,086	0	0	47,086	49,188
	<u>258,278</u>	<u>0</u>	<u>0</u>	<u>258,278</u>	<u>252,771</u>
RESTRICTED					
Cash	0	116,896	1,014,888	1,131,784	3,806,675
Accounts receivable	0	23,860	6,276	30,136	29,332
Prepaid expenses	0	5,267	0	5,267	5,415
Due from general fund	0	0	0	0	100,000
Investments (note 5)	0	0	2,416,696	2,416,696	146,700
Loans receivable (note 4)	0	0	4,834,333	4,834,333	4,227,949
	<u>0</u>	<u>146,023</u>	<u>8,272,193</u>	<u>8,418,216</u>	<u>8,316,071</u>
CAPITAL ASSETS (note 6)	<u>0</u>	<u>5,858</u>	<u>0</u>	<u>5,858</u>	<u>5,108</u>
	<u>\$ 258,278</u>	<u>\$ 151,881</u>	<u>\$ 8,272,193</u>	<u>\$ 8,682,352</u>	<u>\$ 8,573,950</u>
LIABILITIES					
CURRENT					
Accounts payable and accrued liabilities (note 10)	\$ 0	\$ 41,619	\$ 0	\$ 41,619	\$ 30,496
WORC loan pool (note 7)	0	0	268,715	268,715	315,582
Due to investment fund	0	0	0	0	100,000
DEFERRED CONTRIBUTIONS					
Deferred government funding (note 11)	0	51,468	0	51,468	51,468
	<u>0</u>	<u>93,087</u>	<u>268,715</u>	<u>361,802</u>	<u>497,546</u>
FUND BALANCES					
Contributed surplus	0	0	4,436,350	4,436,350	4,436,350
Internally restricted net assets	0	58,794	0	58,794	79,293
Externally restricted net assets	0	0	3,567,128	3,567,128	3,307,990
Unrestricted net assets	258,278	0	0	258,278	252,771
	<u>258,278</u>	<u>58,794</u>	<u>8,003,478</u>	<u>8,320,550</u>	<u>8,076,404</u>
	<u>\$ 258,278</u>	<u>\$ 151,881</u>	<u>\$ 8,272,193</u>	<u>\$ 8,682,352</u>	<u>\$ 8,573,950</u>

See notes to the financial statements

BRANT COMMUNITY FUTURES DEVELOPMENT CORPORATION

(Operating as "ENTERPRISE BRANT")

STATEMENT OF CHANGES IN FUND BALANCES

FOR THE YEAR ENDED MARCH 31, 2019

	Board Fund	General Fund	Investment Fund	Total 2019	Total 2018
Balance , beginning of year	\$ <u>252,771</u>	\$ <u>79,293</u>	\$ <u>7,744,340</u>	\$ <u>8,076,404</u>	\$ <u>7,914,716</u>
Revenues	7,389	291,743	393,222	692,354	562,100
Expenditures	<u>(1,882)</u>	<u>(412,242)</u>	<u>(34,084)</u>	<u>(448,208)</u>	<u>(391,845)</u>
Net surplus (deficit) from operations	5,507	(120,499)	359,138	244,146	170,255
Surplus repayable (note 10)	0	0	0	0	(8,567)
Transfers (note 9)	<u>0</u>	<u>100,000</u>	<u>(100,000)</u>	<u>0</u>	<u>0</u>
	<u>5,507</u>	<u>(20,499)</u>	<u>259,138</u>	<u>244,146</u>	<u>161,688</u>
Balance , end of year	\$ <u><u>258,278</u></u>	\$ <u><u>58,794</u></u>	\$ <u><u>8,003,478</u></u>	\$ <u><u>8,320,550</u></u>	\$ <u><u>8,076,404</u></u>

BRANT COMMUNITY FUTURES DEVELOPMENT CORPORATION

(Operating as "ENTERPRISE BRANT")

STATEMENT OF REVENUES AND EXPENDITURES

FOR THE YEAR ENDED MARCH 31, 2019

	Board Fund	General Fund	Investment Fund	Total 2019	Total 2018
REVENUE					
Loan interest income	\$ 2,962	\$ 0	\$ 299,007	\$ 301,969	\$ 239,670
Government contributions	0	238,740	0	238,740	238,743
Bank interest income	3,757	2,175	98,315	104,247	49,946
Miscellaneous	320	36,911	0	37,231	34,423
Program funding	0	13,917	0	13,917	12,943
Unrealized loss on investment	350	0	(4,100)	(3,750)	(13,625)
	<u>7,389</u>	<u>291,743</u>	<u>393,222</u>	<u>692,354</u>	<u>562,100</u>
EXPENDITURES					
Salaries and benefits	0	254,798	0	254,798	228,328
Occupancy and equipment	0	63,531	0	63,531	62,670
Administration	1,882	46,507	0	48,389	48,546
Special projects	0	27,379	0	27,379	21,550
Professional fees	0	13,709	0	13,709	11,680
Amortization of capital assets	0	1,717	0	1,717	13,670
Loan pool interest	0	0	8,063	8,063	6,779
Miscellaneous	0	3,650	0	3,650	3,698
Bank charges	0	951	667	1,618	1,524
Bad debts	0	0	25,354	25,354	(6,600)
	<u>1,882</u>	<u>412,242</u>	<u>34,084</u>	<u>448,208</u>	<u>391,845</u>
NET SURPLUS (DEFICIT) FROM OPERATIONS	<u>\$ 5,507</u>	<u>\$ (120,499)</u>	<u>\$ 359,138</u>	<u>\$ 244,146</u>	<u>\$ 170,255</u>

BRANT COMMUNITY FUTURES DEVELOPMENT CORPORATION**(Operating as "ENTERPRISE BRANT")****STATEMENT OF CASH FLOWS****FOR THE YEAR ENDED MARCH 31, 2019**

	2019	2018
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Net surplus for the year	\$ 244,146	\$ 170,255
Items not requiring an outlay of cash		
Amortization of capital assets	1,717	13,670
Unrealized loss on investment	3,750	13,625
Surplus repayable	<u>0</u>	<u>(8,567)</u>
	249,613	188,983
Changes in non-cash working capital		
Accounts receivable - restricted	(804)	(12,477)
Prepaid expenses - restricted	148	(28)
Accounts payable and accrued liabilities	11,123	(19,426)
WORC loan pool	<u>(46,867)</u>	<u>315,582</u>
	<u>212,863</u>	<u>434,634</u>
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Additions to capital assets	(2,467)	(1,514)
Investments	(350)	(38,000)
Investments - restricted	(2,273,746)	509,750
Loans receivable	2,102	(49,188)
Loans receivable - restricted	<u>(606,384)</u>	<u>(682,693)</u>
	<u>(2,880,495)</u>	<u>(223,645)</u>
NET (DECREASE) INCREASE IN CASH	(2,667,632)	210,989
NET CASH, BEGINNING OF YEAR	<u>3,974,983</u>	<u>3,763,994</u>
NET CASH, END OF YEAR	<u>\$ 1,307,351</u>	<u>\$ 3,974,983</u>
CASH CONSISTS OF:		
Cash	\$ 175,567	\$ 168,308
Cash - restricted	<u>1,131,784</u>	<u>3,806,675</u>
	<u>\$ 1,307,351</u>	<u>\$ 3,974,983</u>

BRANT COMMUNITY FUTURES DEVELOPMENT CORPORATION

(Operating as "ENTERPRISE BRANT")

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

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.

BRANT COMMUNITY FUTURES DEVELOPMENT CORPORATION

(Operating as "ENTERPRISE BRANT")

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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.

Financial assets measured at amortized cost include cash, restricted cash, accounts receivable and loans receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and WORC loan pool.

The organization's financial assets measured at fair value include investments.

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.

BRANT COMMUNITY FUTURES DEVELOPMENT CORPORATION

(Operating as "ENTERPRISE BRANT")

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 2019 compared to the previous period.

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

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 3.45%

	2019	2018
Balance, beginning of the year	\$ 4,277,137	\$ 3,545,256
Loans advanced during the year	1,627,324	1,779,114
Loans repaid during the year	(518,305)	(723,704)
Repaid to Oxford CFDC Partnership	<u>(176,581)</u>	<u>(27,496)</u>
Balance, being principal receivable at year end	5,209,575	4,573,170
Accrued interest	15,041	21,927
Allowance for doubtful accounts	<u>(343,197)</u>	<u>(317,960)</u>
Balance, end of year	<u><u>\$ 4,881,419</u></u>	<u><u>\$ 4,277,137</u></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	\$ 47,086	\$ 49,188
Investment fund loans receivable	<u>4,834,333</u>	<u>4,227,949</u>
	<u><u>\$ 4,881,419</u></u>	<u><u>\$ 4,277,137</u></u>

BRANT COMMUNITY FUTURES DEVELOPMENT CORPORATION

(Operating as "ENTERPRISE BRANT")

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

5. INVESTMENTS

In 2006, the organization, together with four other Community Futures Development Corporations, made an equity investment in a co-operative program. During the prior year, one member decided to divest its share which was then purchased by the remaining members, including the organization. The organization's share of the investment consists of the shares below, recorded at fair market value. Total investments are comprised of the following:

	2019	2018
1 voting membership share	\$ 100	\$ 100
37,500 (2018 - 37,500) non-voting, Class E Preference shares	178,125	181,875
Guaranteed investment certificate, matures in May 2020, bearing interest at 2.56%	256,400	0
Guaranteed investment certificate, matures in August 2019, bearing interest at 2.37%	255,415	0
Guaranteed investment certificate, matures in June 2019, bearing interest at 2.25%	1,045,506	0
Guaranteed investment certificate, matures in August 2019, bearing interest at 2.37%	153,555	0
Guaranteed investment certificate, matures in May 2020, bearing interest at 2.56%	256,400	0
Guaranteed investment certificate, matures in September 2019, bearing interest at 2.50%	51,491	0
Guaranteed investment certificate, matures in September 2019, bearing interest at 2.50%	<u>255,329</u>	<u>0</u>
	<u>\$ 2,452,321</u>	<u>\$ 181,975</u>

The balance is comprised of:

Board fund investments	\$ 35,625	\$ 35,275
Investment fund investments	<u>2,416,696</u>	<u>146,700</u>
	<u>\$ 2,452,321</u>	<u>\$ 181,975</u>

6. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 2019	Net 2018
Furniture and fixtures	\$ 35,751	\$ 33,368	\$ 2,383	\$ 927
Computer hardware	30,689	27,214	3,475	3,515
Leaseholds	<u>49,960</u>	<u>49,960</u>	<u>0</u>	<u>666</u>
	<u>\$ 116,400</u>	<u>\$ 110,542</u>	<u>\$ 5,858</u>	<u>\$ 5,108</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 loan is repayable in blended payments of \$4,577 per month, with interest at Libro prime (2.7% at time of advance of funds), due June 2019.

BRANT COMMUNITY FUTURES DEVELOPMENT CORPORATION

(Operating as "ENTERPRISE BRANT")

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

8. COMMITMENTS

The organization entered into a contract to lease their current premises, which started July 1, 2018 and runs for 2 years. Future minimum lease payments are as follows:

2020	\$	31,185
2021		<u>7,796</u>
	\$	<u><u>38,981</u></u>

9. TRANSFERS

During the year, the Board approved a transfer of \$100,000 (2018 - \$100,000) from the investment fund to the general fund for general operations.

10. SURPLUS REPAYABLE

During 2018, the organization accrued a surplus repayable, related to surplus from a FedDev Ontario funded project, in the amount of \$8,567. This was previously recognized on the statement of revenues and expenditures. Accordingly, it was taken from the general fund reserve balance and accrued as an accounts payable in 2018.

11. 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:

	2019	2018
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>