Community Futures Heartland Inc.

Financial Statements

March 31, 2023

Community Futures Heartland Inc.

March 31, 2023

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George & Associates Chartered Professional Accountants Inc.
Box 567, 113 2nd Street SW
Carman, Manitoba
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Independent Auditors' Report

To the Board of Directors
Community Futures Heartland Inc.

Opinion

We have audited the financial statements of Community Futures Heartland Inc., which comprise the statement of financial position as at March 31, 2023, and the statements of operations and changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Community Futures Heartland Inc. as at March 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of these 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 these 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 to do so.

Those charged with governance are responsible for overseeing the organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

George & Associates Chartered Professional Accountants Inc.

Carman, Manitoba
June 12, 2023

Community Futures Heartland Inc.

Statement of Financial Position

March 31, 2023

	PrairiesCan	PrairiesCan	Loan Investment Funds					
	Operating Fund	SEA Fund	PrairiesCan Repayable	PrairiesCan Non-repayable	RRRF	PrairiesCan EDP	2023	2022
Assets								
Current Assets								
Cash and bank (note 2)	$ 134,345	$ 49,216	$ 451,258	$ 732,968	$ 178,557	$ 263,925	$ 1,810,269	$ 1,863,406
GST receivable (note 4)	3,328	10	-	-	-	-	3,338	2,330
Accounts receivable (note 6)	-	-	91	-	-	-	91	91
Accrued interest receivable	1,334	-	6,978	492	-	14	8,818	7,977
Grant receivable	-	-	-	-	-	-	-	4,006
Prepaids	7,648	-	-	-	-	-	7,648	9,796
Inter-fund receivable	-	-	625	25	61,385	25	62,060	65,805
Current portion of long-term investments	-	-	261,611	7,176	259,901	2,151	530,839	217,896
	146,655	49,226	720,563	740,661	499,843	266,115	2,423,063	2,171,307
Long-term Assets								
Long-term investments (note 3)	138,114	-	-	-	-	-	138,114	138,114
Capital Assets (note 2 and 5)								
Capital Assets, net of accumulated amortization	58,252	-	-	-	-	-	58,252	18,018
Investment Funds								
Investment loans, net of allowances (notes 2, 9-16)	-	-	1,530,439	86,773	2,172,882	2,151	3,792,245	3,629,347
Less: current portion	-	-	(261,611)	(7,176)	(259,901)	(2,151)	(530,839)	(217,896)
	-	-	1,268,828	79,597	1,912,981	-	3,261,406	3,411,451
Total Assets	$ 343,021	$ 49,226	$ 1,989,391	$ 820,258	$ 2,412,824	$ 266,115	$ 5,880,835	$ 5,738,890

The accompanying notes are an integral part of these financial statements.

Community Futures Heartland Inc.

Statement of Financial Position

March 31, 2023

	PrairiesCan	PrairiesCan	Loan Investment Funds					
	Operating Fund	SEA Fund	PrairiesCan Repayable	PrairiesCan Non-Repayable	RRRF	PrairiesCan EDP	2023	2022
Liabilities and Fund Balances								
Current Liabilities								
Accrued liabilities (note 7)	**$ 13,209**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 13,209**	$ 12,478
Wages payable	**8,025**	**-**	**-**	**-**	**-**	**-**	**8,025**	6,494
Inter-fund payable	**48,192**	**13,868**	**-**	**-**	**-**	**-**	**62,060**	65,805
Retainer - WHP	**12,000**	**-**	**-**	**-**	**-**	**-**	**12,000**	12,000
Unearned revenue	**-**	**-**	**-**	**-**	**-**	**-**	**-**	2,000
	81,426	**13,868**	**-**	**-**	**-**	**-**	**95,294**	98,777
Long-term Liabilities								
Investment funds repayable (note 18)	**-**	**-**	**-**	**-**	**-**	**53,877**	**53,877**	53,877
Deferred contributions (note 20)	**45,918**	**-**	**-**	**-**	**-**	**-**	**45,918**	2,402
CFIF loan (note 18)	**-**	**-**	**-**	**-**	**2,345,876**	**-**	**2,345,876**	2,385,876
RRRF operating loan	**-**	**-**	**-**	**-**	**61,385**	**-**	**61,385**	65,130
	45,918	**-**	**-**	**-**	**2,407,261**	**53,877**	**2,507,056**	2,507,285
Total Liabilities	**127,344**	**13,868**	**-**	**-**	**2,407,261**	**53,877**	**2,602,350**	2,606,062

The accompanying notes are an integral part of these financial statements.

Community Futures Heartland Inc.

Statement of Financial Position

March 31, 2023

	PrairiesCan	PrairiesCan	Loan Investment Funds					
	Operating Fund	SEA Fund	PrairiesCan Repayable	PrairiesCan Non-Repayable	RRRF	PrairiesCan EDP	2023	2022
Fund Balances								
Invested in capital assets	**58,252**	-	-	-	-	-	**58,252**	18,018
Unrestricted	**157,425**	**35,358**	-	-	-	-	**192,783**	234,545
Non-repayable grant	-	-	-	**795,127**	-	-	**795,127**	795,127
Externally restricted	-	-	**1,989,391**	**25,131**	**5,563**	**212,238**	**2,232,323**	2,085,138
	215,677	**35,358**	**1,989,391**	**820,258**	**5,563**	**212,238**	**3,278,485**	3,132,828
Total Liabilities and Fund Balances	**$ 343,021**	**$ 49,226**	**$ 1,989,391**	**$ 820,258**	**$ 2,412,824**	**$ 266,115**	**$ 5,880,835**	$ 5,738,890

Approved on Behalf of the Board:

_____, Director

_____, Director

The accompanying notes are an integral part of these financial statements.

Community Futures Heartland Inc.

Statement of Operations and Changes in General Fund Balances

For the Year Ended March 31, 2023

	Operating Fund	SEA Fund	2023	2022
Revenue				
PrairiesCan contribution	**$ 300,892**	**$ -**	**$ 300,892**	$ 300,892
Other government contracts	**-**	**4,500**	**4,500**	500
CF Pan West grant	**8,269**	**-**	**8,269**	1,604
Bank interest	**6,291**	**1,302**	**7,593**	2,916
Other	**169,226**	**-**	**169,226**	161,070
Total revenues	**484,678**	**5,802**	**490,480**	466,982
Expenses				
Salaries and benefits	**344,399**	**-**	**344,399**	335,928
Professional Expenses				
Accounting and audit	**6,634**	**-**	**6,634**	6,634
Credit reports	**622**	**-**	**622**	553
Legal	**201**	**-**	**201**	201
Other	**1,732**	**-**	**1,732**	1,030
Administration				
Advertising and promotion	**30,169**	**-**	**30,169**	33,156
Board member expenses	**5,526**	**-**	**5,526**	483
Casual labour	**4,307**	**-**	**4,307**	4,030
Computers and equipment - Capital	**48,920**	**-**	**48,920**	1,861

The accompanying notes are an integral part of these financial statements.

Community Futures Heartland Inc.

Statement of Operations and Changes in General Fund Balances

For the Year Ended March 31, 2023

	Operating Fund	SEA Fund	2023	2022
Insurance	**2,657**	**-**	**2,657**	2,609
Non-refundable GST	**3,328**	**11**	**3,339**	2,314
Office rent	**25,474**	**-**	**25,474**	24,993
Office supplies	**19,197**	**-**	**19,197**	13,435
Photocopying and printing	**2,753**	**-**	**2,753**	2,559
Postage and delivery	**459**	**-**	**459**	488
Special projects	**17,450**	**-**	**17,450**	9,871
Staff expenses	**13,170**	**1,423**	**14,593**	5,113
Telephone	**3,810**	**-**	**3,810**	3,993
Total Expenses	**530,808**	**1,434**	**532,242**	449,251
Income (loss) before the following items:	**(46,130)**	**4,368**	**(41,762)**	17,731
Add back: Computers and equipment capitalized	**48,920**	**-**	**48,920**	1,861
Less: Amortization	**(8,686)**	**-**	**(8,686)**	(5,847)
Net Income (loss) for the year	**(5,896)**	**4,368**	**(1,528)**	13,745
Transfer (to) from invested in capital	**(40,234)**	**-**	**(40,234)**	3,986
Operating Fund balance, beginning of year	**203,555**	**30,990**	**234,545**	216,814
Operating Fund, end of year	**$ 157,425**	**$ 35,358**	**$ 192,783**	$ 234,545

The accompanying notes are an integral part of these financial statements.

Community Futures Heartland Inc.

Statement of Operations and Changes in Restricted Fund Balances

For the Year Ended March 31, 2023

	Loan Investment Funds					
	PrairiesCan Repayable	**PrairiesCan Non-repayable**	**RRRF**	**PrairiesCan EDP**	**2023**	**2022**
Revenues						
Bank interest	$ 14,667	$ 20,063	$ 3,919	$ 7,250	**$ 45,899**	$ 9,657
Investment interest	94,749	6,237	-	300	**101,286**	93,143
Operating loan forgiven	-	-	3,745	-	**3,745**	750
	109,416	26,300	7,664	7,550	**150,930**	103,550
Expenses						
Audit	-	-	3,745	-	**3,745**	-
Online marketing	-	-	-	-	**-**	750
Net income (loss) for the year	109,416	26,300	3,919	7,550	**147,185**	102,800
Fund balances, beginning of year	1,879,975	(1,169)	1,644	204,688	**2,085,138**	1,982,338
Fund balances, end of year	$ 1,989,391	$ 25,131	$ 5,563	$ 212,238	**$ 2,232,323**	$ 2,085,138

The accompanying notes are an integral part of these financial statements.

Community Futures Heartland Inc.

Statement of Cash Flows

For the Year Ended March 31, 2023

	Operating Activities	Financing and Investing Activities					
	Operating & SEA Fund	**PrairiesCan Repayable**	**PrairiesCan Non-Repayable**	**RRRF**	**PrairiesCan EDP**	**2023**	**2022**
Sources of Cash							
PrairiesCan contribution	$ 300,892	$ -	$ -	$ -	$ -	**$ 300,892**	$ 300,892
Investment income	7,593	109,416	26,300	3,919	7,459	**154,687**	103,808
CFIF loan	-	-	-	-	-	**-**	301,526
Other	182,479	-	-	3,745	-	**186,224**	226,700
Investment loan repayments	-	645,116	7,685	150,175	2,056	**805,032**	382,866
	490,964	754,532	33,985	157,839	9,515	**1,446,835**	1,315,792
Uses of Cash							
Salaries and benefits	344,399	-	-	-	-	**344,399**	335,928
Materials and services	138,923	-	-	3,745	-	**142,668**	109,858
Purchase of capital assets	48,920	-	-	-	-	**48,920**	1,861
Investment loan advances	-	967,840	-	-	-	**967,840**	650,336
Cash from (to) operating	532,242	967,840	-	3,745	-	**1,503,827**	1,097,983
Net increase (decrease) in cash	(41,278)	(213,308)	33,985	154,094	9,515	**(56,992)**	217,809
Cash and investments, beginning of year	318,258	665,447	698,939	64,463	254,412	**2,001,519**	1,790,022
Change in payables and liabilities	39,550	-	-	(43,745)	-	**(4,195)**	55,258
Changes in receivables and prepaids	5,145	(881)	44	3,745	(2)	**8,051**	(61,570)
Cash and investments, end of year	321,675	451,258	732,968	178,557	263,925	**1,948,383**	2,001,519

The accompanying notes are an integral part of these financial statements.

Community Futures Heartland Inc.

Statement of Cash Flows

For the Year Ended March 31, 2023

	Operating Activities	Financing and Investing Activities					
	Operating & SEA Fund	**PrairiesCan Repayable**	**PrairiesCan Non-Repayable**	**RRRF**	**PrairiesCan EDP**	**2023**	**2022**
Cash and investments consist of:							
Cash	183,561	451,258	732,968	178,557	263,925	**1,810,269**	1,863,405
Investments	138,114	-	-	-	-	**138,114**	138,114
	$ 321,675	$ 451,258	$ 732,968	$ 178,557	$ 263,925	**$ 1,948,383**	$ 2,001,519

The accompanying notes are an integral part of these financial statements.

Community Futures Heartland Inc.

Schedule 1 - RRRF Fund

For the Year Ended March 31, 2023

	RRRF Operating Fund	RRRF Investment Fund	2023	2022
Assets				
Cash	$ -	$ 178,557	**$ 178,557**	$ 64,463
Inter-fund receivable	-	61,385	**61,385**	65,130
Loans receivable	-	2,172,882	**2,172,882**	2,323,057
Capital Assets - Cost	18,257	-	**18,257**	18,257
Capital Assets - Accumulated amortization	(6,943)	-	**(6,943)**	(4,629)
Total Assets	11,314	2,412,824	**2,424,138**	2,466,278
Liabilities				
Inter-fund payable	14,467	-	**14,467**	14,467
CFIF loan	-	2,345,876	**2,345,876**	2,385,876
RRRF operating loan	-	61,385	**61,385**	65,130
	14,467	2,407,261	**2,421,728**	2,465,473
Fund Balances				
Invested in capital assets	11,314	-	**11,314**	13,628
Externally restricted	(14,467)	5,563	**(8,904)**	(12,823)
	(3,153)	5,563	**2,410**	805
Total Liabilities and Fund Balances	$ 11,314	$ 2,412,824	**$ 2,424,138**	$ 2,466,278

The accompanying notes are an integral part of these financial statements.

Community Futures Heartland Inc.

Schedule 2 - RRRF Fund

For the Year Ended March 31, 2023

	RRRF Operating Fund	RRRF Investment Fund	2023	2022
Revenue				
Bank interest	$ -	$ 3,919	**$ 3,919**	$ 336
Operating loan forgiven	-	3,745	**3,745**	750
	-	7,664	**7,664**	1,086
Expenses				
Advertising and promotion	-	-	**-**	668
Online marketing	-	-	**-**	750
Professional fees	-	3,745	**3,745**	-
	-	3,745	**3,745**	1,418
Excess (deficiency) of revenue over expenses	-	3,919	**3,919**	(332)
Net assets, beginning of year	(14,467)	1,644	**(12,823)**	(12,491)
Interest transfer	-	-	**-**	-
Other inter-fund transfers	-	-	**-**	-
Net Assets (Deficit), end of year	$ (14,467)	$ 5,563	**$ (8,904)**	$ (12,823)

The accompanying notes are an integral part of these financial statements.

Community Futures Heartland Inc.

Notes to the Financial Statements

For the Year Ended March 31, 2023

1 Purpose of the Organization

The corporate body has been constituted under Community Futures Heartland Inc., formerly named Heartland Community Futures Development Corporation and its objective is to stimulate employment in the community by providing funds to small businesses in the form of loans, loan guarantees and share capital. The organization is incorporated under the Manitoba Companies Act as a not-for-profit organization. It is exempt from tax under the Income Tax Act as a not-for-profit organization.

2 Significant Accounting Policies

a. Basis of Presentation

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Handbook. Outlined below are those policies considered significant for the organization.

b. Revenue Recognition

The organization follows the restricted fund method of accounting for contributions. Unrestricted contributions are recognized as revenue in the general fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions and interest are recognized as revenue in the investment funds when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

c. Fund Accounting

Community Futures Heartland Inc. follows the restricted method of accounting for contributions. The General Fund accounts for the organization's operating costs and general revenues. This fund reports unrestricted resources and restricted operating grants. The Loan Investment Funds report restricted resources that are to be used for assistance to small businesses and entrepreneurs is the form of loans, loan guarantees or equity participation. Loans from the Loan Investment Fund for the EDP are limited to businesses owned and operated by disabled entrepreneurs. The organization is restricted in the types of loans that can be made according to its agreement with the federal government.

d. Investments

Investments are recorded at cost.

e. Allowances for Losses on Loans

Allowances are established on a specific case analysis basis.

f. Cash and Bank

Cash and bank consists of cash on hand and bank account balances.

2 Significant Accounting Policies continued

g. Capital Assets

Purchased capital assets are carried at cost. Contributed capital assets are recorded at fair market value at the date of contribution. Depreciation is calculated using the straight-line method over estimated useful lives ranging from 5 years to 10 years. Amortization expense is reported in the General Fund.

h. Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards 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 reporting period. Differences in actual results from prior estimates are taken into account at the time the differences are determined.

Significant items subject to such estimates and assumptions include the valuation of investment loans receivable and the estimated useful life of capital assets. Actual results could differ from those estimates.

i. Financial Instruments

Measurement of financial instruments:
The organization initially measures its financial assets and liabilities at fair value. It subsequently measures all its financial assets and liabilities at amortized cost.

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

Financial liabilities measured at amortized cost include accounts payable and long-term debt.

Impairment:
Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. 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 income.

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.

j. Impairment of Long-lived Assets

A long-lived asset is tested for impairment whenever events or changes in circumstances indicate that its carrying value may not be fully recoverable. An impairment loss is recognized in the period when it is determined that the carrying amount of the asset exceeds the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is calculated as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

3 Investments

Long and short-term investments consist of the following:

	2023	2022
Long-term Investments		
Term deposits	**$ 138,114**	$ 138,114
Short-term Investments		
Term deposits	**$ -**	$ -

Long-term deposit bears interest at 1.2% and matures in June 2024.

4 Processing of the Goods and Service Tax

The organization claimed a 50% refund of the input tax credits. An amount of $3,338 remains included in the expenses.

5 Capital Assets

		2023	2023	2023	2022
	Rate	Cost	Accumulated Amortization	Net Value	Net Value
Office equipment	10%	**$ 54,795**	**$ 45,436**	**$ 9,359**	**$ 10,696**
Computers	20%	**11,264**	**6,809**	**4,455**	**6,709**
Makers Space equipment	10%	**48,920**	**4,891**	**44,029**	**-**
Leaseholds	10%	**28,303**	**27,894**	**409**	**613**
Software	20%	**7,600**	**7,600**	**-**	**-**
		$ 150,882	**$ 92,630**	**$ 58,252**	**$ 18,018**

6 Accounts Receivable

Accounts receivable consist of the following:

	2023	2022
Loan insurance prepaid	**$ 91**	$ 91
Total	**$ 91**	$ 91

7 Accrued Liabilities

Accrued liabilities consist of the following:

	2023	2022
Trade accounts payable	**$ 5,278**	$ 4,671
Employee deductions payable	**7,931**	7,807
Total	**$ 13,209**	$ 12,478

8 Allowance for Credit Loss

An allowance for losses on investment loans is made based on expected loan default rates, potential loss ratios and review of loans portfolio, as determined by management, as follows:

	2022 Ending Balance	Provision for Credit Losses	Write-offs	Reversals	2023 Ending Balance
PrairiesCan Loan Investment Fund					
- Repayable	$ 15,734	**$ -**	**$ -**	**$ -**	**$ 15,734**
- Non-repayable	-	-	-	-	-
- EDP	-	-	-	-	-
Community Futures Investment Fund					
- RRRF	-	-	-	-	-
	$ 15,734	**$ -**	**$ -**	**$ -**	**$ 15,734**

Actual write-offs, net of recoveries, will be deducted from the allowance for credit losses. The provision for credit losses

8 Allowance for Credit Loss continued

in the statement of operations and changes in fund balances is charged with an amount sufficient to keep the balance in the allowance for credit losses adequate to absorb all credit related losses.

9 Non-repayable Investments

	2023	2022
Loan granted, guaranteed by mortgages, pledge or personal endorsement, at 7% falling due 2032	**$ 86,773**	$ 94,458
	$ 86,773	$ 94,458

Redeemable amounts from investments for the next five years are as follows:

2024	$ 7,176
2025	$ 7,694
2026	$ 8,251
2027	$ 8,847
2028	$ 9,487

10 Changes in Non-repayable Investments

	2023	2022
Starting balance	**$ 94,458**	$ 28,407
Disbursed loans	**-**	100,000
Fees charged	**-**	400
Capitalized interest	**6,280**	6,864
Collected reimbursements	**(13,965)**	(41,213)
Ending balance	**$ 86,773**	$ 94,458

11 Repayable Investments

	2023	2022
Loans granted, guaranteed by mortgages, pledge or personal endorsement, between 0% and 10.0% falling due between 2024 and 2032.	**$ 1,546,173**	$ 1,223,449
Subtract: allowance losses and loans	**(15,734)**	(15,734)
	$ 1,530,439	$ 1,207,715

Redeemable amounts from investments for the next five years are as follows:

2024	$261,611
2025	$282,144
2026	$304,290
2027	$328,173
2028	$353,931

12 Changes in Repayable Investments

	2023	2022
Starting balance	**$ 1,223,449**	$ 1,277,690
Disbursed loans	**966,030**	225,336
Fees charged	**1,810**	871
Capitalized interest	**92,102**	83,923
Collected reimbursements	**(737,218)**	(364,371)
Ending balance	**$ 1,546,173**	$ 1,223,449

13 EDP Investments

	2023	2022
Loan granted, guaranteed by mortgages, pledge or personal endorsement, at 7%, falling due in 2023	**$ 2,151**	$ 4,117
	$ 2,151	$ 4,117

Redeemable amount from investments for the next year is as follows:

2024 $2,151

14 Changes in EDP Investments

	2023	2022
Starting balance	**$ 4,117**	$ 13,117
Fees charged	**90**	-
Capitalized interest	**207**	446
Collected reimbursements	**(2,263)**	(9,446)
Ending balance	**$ 2,151**	$ 4,117

15 RRRF Investment

	2023	2022
Loans granted, guaranteed by the Government of Canada, at 5%, falling due December, 2025	**$ 2,172,882**	$ 2,323,057
	$ 2,172,882	$ 2,323,057

Repayment terms for the Secondary Borrower to the organization are as follows:

- No principal repayment is due until December 31, 2023 and is interest free until December 31, 2023.
- The balance is repayable in equal blended monthly payments including interest starting January 31, 2024 and the last day of each month thereafter, until December 31, 2025.
- Commencing January 1, 2024 the balance shall bear interest at a rate of 5% per annum. until paid in full.

15 RRRF Investment continued

16 Changes in RRRF Investments

	2023	2022
Starting balance	**$ 2,323,057**	$ 2,057,126
Disbursed loans	**-**	325,000
Collected reimbursements	**(150,175)**	(59,069)
Ending balance	**$ 2,172,882**	$ 2,323,057

17 Investment Loans Receivable

Outstanding loans to entrepreneurs are interest bearing at varying rates between 6.5% and 10.0% with monthly blended principal and interest repayments amortized for terms of 24 months and 120 months. Security is taken on these loans as appropriate to the situation and includes personal guarantees, general security agreements covering business assets and mortgages on land and buildings. At the year-end, the organization had not approved any additional loans pending certain conditions.

18 Long Term Debt

	2023	2022
Entrepreneurs with Disability Program investment funds repayable	**$ 53,877**	$ 53,877
Regional Relief and Recovery Fund investment funds repayable	**2,345,876**	2,385,876
Regional Relief and Recovery Fund operating funds repayable	**61,385**	65,130
	$ 2,461,138	$ 2,504,883

The Entrepreneurs with Disability Program loan from Western Economic Diversification is due as follows:

In the event that the organization is not in compliance with the agreement, dated April 1, 2021 or the project is not approved by the minister, the minister is entitled to take steps described in sections 2, 3 or 4 of the agreement. The agreement terminates March 31, 2026.

The Regional Relief and Recovery Fund investment funds loan from Community Futures Investment Fund Inc. is due as follows:

- No principal repayment is due until December 31, 2023
- On October 31, 2021 any funds that have not been loaned by the organization (Community Futures Heartland) to a Secondary Borrower, were required to be repaid to Lender (Community Futures Investment Fund Inc.)
- The repayable balance is repayable in equal monthly payments starting January 31, 2024 and the last day of each month thereafter, until December 31, 2025.
- The repayable balance is interest free between January 1, 2024 and December 31, 2025.
- The repayable balance is calculated by the lender (CFIF).
  The repayable balance will be calculated as follows. Loans funds advanced by CFIF, less amounts already repaid, less any portion of forgiven loans by CFIF, less any portion of secondary loans in default and cannot be collected or recovered, less reasonable costs incurred by the organization (CFH) in connection with enforcing payment.
- The organization (CFH) must repay the entire outstanding loan amount in full on December 31, 2025

The Regional Relief and Recovery Fund operating funds loan from Community Futures Pan West is due as follows:

- On December 31, 2025 the borrower must repay the entire outstanding loan amount in full.

19 Economic Dependence

The organization received 63% of its operating revenues from the federal government and is economically dependent upon it.

20 Deferred Contributions

Government grants restricted for the purchase of security upgrades, such as capital assets and prepaid security software subscriptions, are being amortized to income on a straight-line basis over the life of the assets and term of subscription, respectively. The changes in deferred contributions balances for the period are as follows

	2023	2022
Starting balance	**$ 2,402**	$ -
Grants receivable during the period	**-**	4,006
Grants received during the period	**48,920**	-
Grant revenue recognized	**(5,404)**	(1,604)
	$ 45,918	$ 2,402

21 Externally Restricted Fund Balances

Major categories of externally imposed restrictions on net assets are as follows:

Restricted Funds	
Repayable fund (actual contribution to date)	**$ 1,007,364**
Non-repayable fund (actual contribution to date)	**$ 795,127**
EDP fund (actual contribution to date)	**$ 200,000**
Youth fund (actual contribution to date)	**$ 300,000**

Conditionally repayable contributions made by PrairiesCan are non-interest bearing, unsecured, and repayable upon 30 days' notice in the event of default.

PrairiesCan has set the terms and conditions of its contribution with the Organization in the April 1, 2021 agreement. Under the terms and conditions the Conditionally Repayable Loan Funds are repayable if any of the following conditions occur:

i. The Conditionally Repayable Investment Fund is not administered according to the terms and conditions specified in this Agreement; or

ii. Based on reviews and evaluations of the operations and the Conditionally Repayable Investment Fund of the

21 Externally Restricted Fund Balances continued

Organization, the Conditionally Repayable Investment Fund is not providing a satisfactory level of benefits in terms of employment creation, the development of Community-owned or controlled businesses and strengthening of the western Canadian economy; or

iii. In the opinion of the Minister, the Conditionally Repayable Investment Fund is no longer necessary or relevant to the development of the western Canadian economy; or

iv. The agreement is terminated as described in Section 10.6; or

v. An event of default occurs, as described in Section 10 of the Agreement; or

vi. The Minister does not approve terms and conditions to extend the project beyond March 31, 2026

22 Financial Instruments

Risk and Concentrations:
The organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the organization's risk exposure and concentrations at the statement of financial position, dated March 31, 2023.

Liquidity risk:
Liquidity risk is the risk that an organization will encounter difficulty in raising funds to meet cash flow commitments associated with financial instruments. The organization is exposed to this risk mainly in respect of its accounts payable.

Credit risk:
Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The organization's main credit risks relate to accounts receivable and investment loans receivable. The organization provides to its clients in the normal course of its operations.

Market risk:
Market risk is the risk that financial instrument fair values will fluctuate due to changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest rate, currency or price risks arising from these financial instruments.

23 Lease Commitments

The organization's total obligations under various lease agreements are as follows:.

2024	$28,079
2025	$21,092
2026	$ 1,781
2027	$ 1,781
2028	$ 1,781

24 Interest Rate Disclosure

Community Futures are required to follow the Policy Bulletin - Interest Rates for Community Future Organizations. If normal interest rates described in the Policy Bulletin were not used, WCBSN Organizations must disclose this in a note to the financial statements. The Policy Bulletin rate is Prime + 3% or 6.5%, whichever is greater at the date the loan is approved.

The following loans have below normal interest rates:

LOAN #	RATE	COMMENT
WED 155	0%	Refinanced as part of collection agreement to collect on loan from client no longer in operation

Independent Auditors' Report on Compliance with Agreement

To Prairies Economic Development Canada
Community Futures Heartland Inc.

We have undertaken a reasonable assurance engagement of Community Futures Heartland Inc. compliance during the period April 1, 2022 to March 31, 2023, with the requirements set out in the Contribution Agreement between Pacific Economic Development Canada / Prairies Economic Development Canada and Community Futures Heartland Inc. dated April 1, 2021.

Management's Responsibility
Management is responsible for Community Futures Heartland Inc.'s compliance with the specified requirements. Management is also responsible for such internal control as management determines necessary to enable Community Futures Heartland Inc.'s compliance with the specified requirements.

Our Responsibility
Our responsibility is to express a reasonable assurance opinion on Community Futures Heartland Inc.'s compliance 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 the entity complied with the specified requirements, in all significant 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 significant instance of non-compliance with specified requirements when it exists. Instances of non-compliance can arise from fraud or error and are considered significant 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 the entity's compliance with the specified requirements. The nature, timing and extent of procedures selected depends on our professional judgment, including an assessment of the risks of significant non-compliance, whether due to fraud or error.

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 independence and other ethical requirements of the Rules of Professional Conduct of Manitoba, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

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, Community Futures Heartland Inc. complied with the specified requirements set out in the Contribution Agreement during the period April 1, 2022, to March 31, 2023, in all significant respects.

We do not provide a legal opinion on Community Futures Heartland Inc.'s compliance with the specified requirements.

Independent Auditors' Report on Compliance with Agreement

Restriction on Distribution and Use of Our Report

Our report is intended solely for Community Futures Heartland Inc. and Pacific Economic Development Canada / Prairies Economic Development Canada and should not be distributed to or used by parties other than Community Futures Heartland Inc. or Pacific Economic Development Canada / Prairies Economic Development Canada.

George & Associates Chartered Professional Accountants Inc.

Carman, Manitoba
June 12, 2023