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June 24, 2021

Community Futures St. Paul - Smoky Lake Region
Box 1484
4802 - 50 Avenue
St. Paul AB T0A 3A0

Attention: Board Members

Dear Board of directors

Re: Audit Findings

This letter has been prepared to assist you with your review of the financial statements of Community Futures St. Paul - Smoky Lake Region for the year ending March 31, 2021. We look forward to meeting with you and discussing the matters outlined below.

Audit Status

We have completed the audit of the financial statements, with the exception of the following items:

1. Receipt of a signed representation letter by management;
2. Completing our discussions with the *Board of Directors*;
3. Obtaining evidence of the Board's approval of the financial statements;

Once these items have been completed, we will date and sign our auditor's report.

Significant Risks

The following is a list of the significant risks that we identified during the engagement as well as our audit responses:

#	Description of each significant risk	Audit response
1	Significant risk that bookkeeping is done on a cash basis instead of accrual.	Increased subsequent sample size, to test the majority of amounts after year end to ensure full error recorded.
2	Risk that board members are signing their own expense reimbursements.	Review invoice to see if signed off by management for review. All documents attached to expense forms reviewed for existence.
3	Risk that no one is reviewing management's payroll and expense reimbursements.	Review cheques and ensure signed by a board member. Review attached documentation to ensure legitimacy.

Significant Matters Arising

Changes to Audit Plan

There were no changes to the audit plan (as previously presented to you).

Other Matters

We have not identified any other significant matters that we wish to bring to your attention at this time.

Significant Difficulties Encountered

There were no significant difficulties encountered during our audit.

Comments on Accounting Practices

Accounting Policies

The significant accounting policies used by the entity are outlined in Note 1 to the financial statements.

- a. There were no significant changes in accounting policies
- b. We did not identify any alternative accounting policies that would have been more appropriate in the circumstances
- c. We did not identify any significant accounting policies in controversial or emerging areas.

Significant Accounting Estimates

The following significant estimates/judgments are contained in the financial statements:

1. Allowanced for doubtful accounts - \$312,874 (2020: \$166,421)

The allowance for doubtful accounts includes the following amounts for loans receivable, separated by loan and by fund:

- **Non-Repayable Fund**

- i) \$31,396 for loan 0459 to M &T's Family Inc., total loan advanced \$31,396.
- ii) \$8,198 for loan 2026 to R.B. Designs, total loan advanced \$8,198.

- **Repayable Fund**

- i) \$25,000 for loan 2018 to TBT Makowichuk enterprises Inc., total loan advanced \$25,964.
- ii) \$13,846 for loan 2031 to Vintage Upholstery - Plus, total loan advanced \$13,846.
- iii) \$10,699 for loan 2045 to Pelican Float Studio, total loan advanced \$10,699.
- iv) \$38,516 for loan 2052 to Howlin' Coyote Motorcycle Campground, total loan advanced \$38,516.
- v) \$9,611 for loan 2073 to Tails, Scales, Wings, and Things, total loan advanced \$9,611.
- vi) \$14,585 for loan 2096 to Pawz N Clawz, total loan advanced \$14,585.
- vii) \$45,000 for loan 2125 to Angel's Party Rentals, total loan advanced \$66,993.
- viii) \$60,000 for loan 2130 to Winding Road Artisan Cheese, total loan advanced \$141,893.
- ix) \$20,254 for loan 2173 to Jai's Western Wear & Tack, total loan advanced \$41,582.

- **Entrepreneurs with Disabilities Fund**

- i) \$35,767 for loan 2150 to Woodchuck Contracting, total loan advanced \$25,964

Based on audit work performed, we are satisfied with the estimates made by management.

Significant Financial Statement Disclosures

We did not identify any financial statement disclosures that are particularly significant, sensitive or require significant judgments, that we believe should be specifically drawn to your attention other than the following:

1. Note 14 Extraordinary Item

2. Note 16 Investment Loans Receivable

We accumulated uncorrected misstatements that we identified during our audit and communicated them to management. We then requested that management correct these misstatements. All uncorrected misstatements for the current period have been corrected with the exception of those outlined in the attached Summary of Identified Misstatements.

Uncorrected Misstatements

We accumulated uncorrected misstatements that we identified during our audit and communicated them to management. We then requested that management correct these misstatements. All uncorrected misstatements for the current period have been corrected with the exception of those outlined in the attached Summary of Identified Misstatements.

We would like to discuss these uncorrected misstatements and the implications of not correcting them in relation to both the current and future financial statements. Our request is for all the uncorrected misstatements to be corrected.

Written Representations

In a separate communication, as attached, we have requested a number of written representations from management in respect to their responsibility for the preparation of the financial statements in accordance with Canadian generally accepted accounting principles.

Other Audit Matters of Governance Interest

We did not identify any other matters to bring to your attention at this time.

We would like to thank management and staff for the assistance they provided to us during the audit.

We hope the information in this audit findings letter will be useful. We would be pleased to discuss them with you and respond to any questions you may have.

This letter was prepared for the sole use of TCWG of Community Futures St. Paul - Smoky Lake Region to carry out and discharge their responsibilities. The content should not be disclosed to any third party without our prior written consent, and we assume no responsibility to any other person.

Yours truly,



Clayton Seely, CPA, CA
Partner

CARLSON ROBERTS SEELY LLP

Encl.

COMMUNITY FUTURES ST. PAUL - SMOKY LAKE REGION

Financial Statements

Year Ended March 31, 2021

COMMUNITY FUTURES ST. PAUL - SMOKY LAKE REGION

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Year Ended March 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Members of Community Futures St. Paul - Smoky Lake Region

Opinion

We have audited the financial statements of Community Futures St. Paul - Smoky Lake Region (the Organization), which comprise the statement of financial position as at March 31, 2021, and the statements of revenues and expenditures, changes in net assets 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 the Organization as at March 31, 2021, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

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 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 ASNPO, 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 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 judgment and maintain professional skepticism throughout the audit. We also:

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Independent Auditor's Report to the Members of Community Futures St. Paul - Smoky Lake Region *(continued)*

- 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.

Drayton Valley, Alberta
June 24, 2021

Carlson Roberts Seely LLP.
CHARTERED PROFESSIONAL ACCOUNTANTS

COMMUNITY FUTURES ST. PAUL - SMOKY LAKE REGION

Statement of Financial Position

March 31, 2021

	General Fund 2021	Restricted Non- repayable 2021	Restricted Repayable 2021	Restricted Disabled 2021	RRRF Fund 2021	Total 2021	Total 2020
ASSETS							
CURRENT							
Cash	\$ 121,257	\$ 149,990	\$ 112,928	\$ 220,643	\$ 160,378	\$ 765,196	\$ 795,225
Term deposits (Note 3)	36,302	-	-	-	-	36,302	35,500
GST and accounts receivable	4,919	-	-	-	-	4,919	2,117
Prepaid expenses	85,928	-	-	-	-	85,928	4,680
Interfund receivable (Note 2)	31,845	358,855	-	-	-	390,700	216,081
Current portion of investment loans receivable (Note 16)	-	101,447	183,582	11,578	40,000	336,607	481,459
	280,251	610,292	296,510	232,221	200,378	1,619,652	1,535,062
PROPERTY, PLANT AND EQUIPMENT (Net of accumulated amortization) (Note 4)	13,286	-	-	-	-	13,286	2,639
LOANS AND NOTES RECEIVABLE (Note 16)	-	1,018,829	771,000	75,029	1,428,400	3,293,258	2,085,583
	\$ 293,537	\$ 1,629,121	\$ 1,067,510	\$ 307,250	\$ 1,628,778	\$ 4,926,196	\$ 3,623,284

See notes to financial statements

COMMUNITY FUTURES ST. PAUL - SMOKY LAKE REGION

Statement of Revenues and Expenditures

Year Ended March 31, 2021

	General Fund 2021	Restricted Non- repayable 2021	Restricted Repayable 2021	Restricted Disabled 2021	RRRF 2021	Total 2021	Total 2020
REVENUES							
Federal contracts	\$ 396,401	\$ -	\$ -	\$ -	\$ -	\$ 396,401	\$ 294,963
Projects and other	200,780	-	-	-	-	200,780	22,300
Investment interest	-	36,626	41,721	2,808	-	81,155	181,444
Loan fees and cost recoveries	3,195	192	2,986	-	-	6,373	7,670
Bank interest	1,621	2,126	278	1,109	-	5,134	3,513
Community Futures (RCED)	-	-	-	-	-	-	3,049
	601,997	38,944	44,985	3,917	-	689,843	512,939
EXPENSES							
Provision for loan loss	-	76,627	237,321	35,592	-	349,540	66,535
Salaries and wages	214,670	-	-	-	-	214,670	225,929
Projects	155,252	-	-	-	-	155,252	10,266
Rent	32,399	-	-	-	-	32,399	31,169
Advertising and promotion	17,249	-	-	-	-	17,249	8,613
Professional fees	12,350	-	-	-	-	12,350	10,359
Interest on long term debt	-	-	10,336	-	-	10,336	21,579
Office	8,802	-	-	-	-	8,802	14,319
Telephone, utilities, and internet	8,667	-	-	-	-	8,667	8,223
Non-recoverable GST	4,919	-	-	-	-	4,919	2,117
Website development	4,149	-	-	-	-	4,149	-
Bank charges and interest	2,041	14	1,655	-	-	3,710	2,633
Staff exercises	3,031	-	-	-	-	3,031	9,717
Amortization	2,833	-	-	-	-	2,833	614
Professional development	2,749	-	-	-	-	2,749	1,984
Insurance	2,653	-	-	-	-	2,653	2,515
Portfolio recovery expense	-	-	1,995	-	-	1,995	50,000
Video conferencing	1,136	-	-	-	-	1,136	1,080
Board member expenses	996	-	-	-	-	996	4,605
	473,896	76,641	251,307	35,592	-	837,436	472,257
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ 128,101	\$ (37,697)	\$ (206,322)	\$ (31,675)	\$ -	\$ (147,593)	\$ 40,682

See notes to financial statements

COMMUNITY FUTURES ST. PAUL - SMOKY LAKE REGION

Statement of Changes in Net Assets

Year Ended March 31, 2021

	General Fund 2021	Restricted Non- repayable 2021	Restricted Repayable 2021	Restricted Disabled 2021	RRRF Fund 2021	Total 2021	Total 2020
NET ASSETS - BEGINNING OF YEAR	\$ 147,338	\$ 1,666,818	\$ 814,523	\$ 308,303	\$ -	\$ 2,936,982	\$ 2,896,300
Deficiency of revenues over expenses	128,101	(37,697)	(206,322)	(31,675)	-	(147,593)	40,682
Interest transfer	-	-	-	-	-	-	-
Contributions during the year	-	-	-	-	1,628,778	1,628,778	-
NET ASSETS - END OF YEAR	\$ 275,439	\$ 1,629,121	\$ 608,201	\$ 276,628	\$ 1,628,778	\$ 4,418,167	\$ 2,936,982

Breakdown of Net Assets

Year Ended March 31, 2021

	General Fund 2021	Restricted Non- repayable 2021	Restricted Repayable 2021	Restricted Disabled 2021	RRRF Fund 2021	Total 2021	Total 2020
Original contributions	\$ -	\$ 581,497	\$ 600,000	\$ 200,000	\$ 1,628,778	\$ 3,010,275	\$ 1,381,497
Earned net assets	275,439	1,047,624	8,201	76,628	-	1,407,892	1,555,485
	\$ 275,439	\$ 1,629,121	\$ 608,201	\$ 276,628	\$ 1,628,778	\$ 4,418,167	\$ 2,936,982

COMMUNITY FUTURES ST. PAUL - SMOKY LAKE REGION

Statement of Cash Flows

Year Ended March 31, 2021

	General Fund 2021	Restricted Non- repayable 2021	Restricted Repayable 2021	Restricted Disabled 2021	RRRF Fund 2021	Total 2021	Total 2020
OPERATING ACTIVITIES							
Excess (deficiency) of revenues over expenses	\$ 128,101	\$ (37,697)	\$ (206,322)	\$ (31,675)	\$ -	\$ (147,593)	\$ 40,682
Items not affecting cash:							
Amortization of property, plant and equipment	2,833	-	-	-	-	2,833	614
Provision (recovery) of investment losses	-	76,627	237,321	35,592	-	349,540	66,535
	130,934	38,930	30,999	3,917	-	204,780	107,831
Changes in non-cash working capital:							
GST and accounts receivable	(2,802)	-	-	-	-	(2,802)	111
Accounts payable and accrued liabilities	(3,313)	-	-	-	-	(3,313)	-
Accrued interest and loan fees receivable	-	883	(5,868)	698	-	(4,287)	(3,660)
Interest and loan fee write off	-	(2,355)	(5,108)	165	-	(7,298)	(11,073)
Deferred revenue	(24,580)	-	-	-	-	(24,580)	(2,349)
Prepaid expenses	(81,245)	-	-	-	-	(81,245)	-
	(111,940)	(1,472)	(10,976)	863	-	(123,525)	(16,971)
Cash flow from operating activities	18,994	37,458	20,023	4,780	-	81,255	90,860
INVESTING ACTIVITIES							
Purchase of property, plant and equipment	(13,483)	-	-	-	-	(13,483)	(3,025)
Increase in term deposits	(802)	-	-	-	-	(802)	(35,500)
Repayment of loans and notes receivable	-	466,753	119,174	3,696	-	589,623	470,537
Addition to loans and notes receivable	-	(472,000)	(7,500)	(42,500)	(1,468,400)	(1,990,400)	(555,000)
	(14,285)	(5,247)	111,674	(38,804)	(1,468,400)	(1,415,062)	(122,988)
Cash flow from (used by) investing activities							
FINANCING ACTIVITIES							
Interest transfer	-	-	-	-	-	-	-
Repayment of long term debt	-	-	-	-	-	-	(8,964)
Repayment of callable debt	-	-	(325,000)	-	-	(325,000)	(50,000)
Inter-fund receivable/payable	1	(174,620)	201,758	(27,139)	-	-	-
Contributions during the year	-	-	-	-	1,628,778	1,628,778	-

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COMMUNITY FUTURES ST. PAUL - SMOKY LAKE REGION

Statement of Cash Flows (continued)

Year Ended March 31, 2021

	General Fund 2021	Restricted Non- repayable 2021	Restricted Repayable 2021	Restricted Disabled 2021	RRRF Fund 2021	Total 2021	Total 2020
Cash flow from (used by) financing activities	1	(174,620)	(123,242)	(27,139)	1,628,778	1,303,778	(58,964)
INCREASE (DECREASE) IN CASH FLOW	4,710	(142,409)	8,455	(61,163)	160,378	(30,029)	(91,092)
Cash - beginning of year	116,547	292,399	104,473	281,806	-	795,225	886,317
CASH - END OF YEAR	\$ 121,257	\$ 149,990	\$ 112,928	\$ 220,643	\$ 160,378	\$ 765,196	\$ 795,225