



Financial Statements

North Simcoe Community Futures
Development Corporation

March 31, 2021

**NORTH SIMCOE COMMUNITY FUTURES
DEVELOPMENT CORPORATION
Index to Financial Statements**

Year ended March 31, 2021

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Independent Auditor's Report

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To the Board of Directors of North Simcoe Community Futures Development Corporation

Qualified Opinion

We have audited the financial statements of North Simcoe Community Futures Development Corporation ("the Organization"), which comprise the statement of financial position as at March 31, 2021, and the statements of operations, 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, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our audit report, the accompanying financial statements present fairly, in all material respects, the financial position of North Simcoe Community Futures Development Corporation as at March 31, 2021, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

As described in Note 2, the Organization has not recorded their RRRF loans receivable at fair value upon initial recognition but rather recorded them at face value. This constitutes a departure from Canadian accounting standards for not-for-profit organizations which require that when a financial asset is originated or acquired or a financial liability is issued or assumed in an arm's length transaction, an entity shall measure it at its fair value. The impact of this departure from Canadian accounting standards for not-for-profit organizations has not been determined and therefore, we were unable to determine whether any adjustments might be necessary to loans receivable, revenues, expenditures, excess of revenues over expenditures, fund balances and cash flows from operations for the year ended March 31, 2021.

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.

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.

Independent Auditor's Report (continued)

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:

- 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.

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script.

Midland, Canada
August 10, 2021

Chartered Professional Accountants
Licensed Public Accountants

NORTH SIMCOE COMMUNITY FUTURES DEVELOPMENT CORPORATION


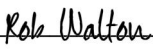
Statement of Financial Position

Year ended March 31, 2021

	Operating Funds		Restricted Funds			
	General Fund	Board Fund	SSS Fund	Investment Fund	2021 Total	2020 Total
Current assets						
Cash	\$ 31,147	\$ 15,978	\$ -	\$ 276,083	\$ 323,208	\$ 548,553
Accounts receivable	8,734	-	-	150	8,884	10,145
Accrued interest receivable	-	-	-	81,145	81,145	54,372
Prepaid expenses	4,432	-	-	-	4,432	6,018
Loans receivable - current portion (note 4)	-	-	-	129,858	129,858	654,554
Interfund balances (note 9)	(50,172)	50,172	-	-	-	-
	(5,859)	66,150	-	487,236	547,527	1,273,642
Capital assets (note 3)	13,214	-	-	-	13,214	2,841
Loans receivable (note 4)	-	-	-	4,770,750	4,770,750	2,752,575
Investment (note 6)	-	-	-	250,000	250,000	250,000
	\$ 7,355	\$ 66,150	\$ -	\$ 5,507,986	\$ 5,581,491	\$ 4,279,058
Current liabilities						
Accounts payable and accrued liabilities	\$ 6,565	\$ -	\$ -	\$ -	\$ 6,565	\$ 31,536
	6,565	-	-	-	6,565	31,536
Deferred capital contributions (note 7)	790	-	-	-	790	2,658
Fund balances						
Restricted						
Externally	-	-	-	5,507,986	5,507,986	4,225,996
Internally	-	66,150	-	-	66,150	18,868
	-	66,150	-	5,507,986	5,574,136	4,244,864
Unrestricted	-	-	-	-	-	-
	-	66,150	-	5,507,986	5,574,136	4,244,864
	\$ 7,355	\$ 66,150	\$ -	\$ 5,507,986	\$ 5,581,491	\$ 4,279,058

The notes to financial statements form an integral part of this report.

Approved on behalf of the Board:

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 Director
 Director

NORTH SIMCOE COMMUNITY FUTURES DEVELOPMENT CORPORATION

Statement of Operations and Changes in Fund Balances

Year ended March 31, 2021

	Operating Funds		Restricted Funds			
	General Fund	Board Fund	SSS Fund	Investment Fund	2021 Total	2020 Total
Revenue						
Contributions						
- Federal government (note 5)	\$ 402,517	\$ -	\$ 21,300	\$ 1,357,635	\$ 1,781,452	\$ 276,985
- Other	26,000	-	28,979	-	54,979	-
Amortization of deferred capital contributions (note 7)	700	-	1,168	-	1,868	1,806
Investment income	-	-	-	1,761	1,761	8,983
Community development	-	-	-	-	-	15,055
Other income (note 8)	24,250	-	-	-	24,250	24,315
Loans recovered	-	-	-	-	-	5,342
Loan interest income	-	-	-	229,748	229,748	267,902
Dividend income	-	-	-	10,007	10,007	5,792
	453,467	-	51,447	1,599,151	2,104,065	606,180
Expenses (see attached schedule)						
Amortization of capital assets	3,205	-	1,167	-	4,372	2,175
Provision for doubtful loans (note 4)	-	-	-	21,102	21,102	248,350
Salaries & benefits	235,008	-	54,885	-	289,893	313,098
Occupancy & equipment	48,787	-	2,190	-	50,977	49,651
Director & community meetings expense	92	-	-	-	92	2,704
Loan management	14,240	-	-	-	14,240	14,851
Community development	56,976	-	106	-	57,082	17,316
Administration	47,877	-	386	496	48,759	27,754
Grant expense (note 4(ii))	-	-	-	261,945	261,945	-
Adjustment to loans receivable due to changes to contractual loan terms (note 12)	-	-	-	26,331	26,331	64,000
	406,185	-	58,734	309,874	774,793	739,899
Excess (deficiency) of revenue over expenses for the year	47,282	-	(7,287)	1,289,277	1,329,272	(133,719)
Fund Balances						
Beginning of year	-	18,868	7,287	4,218,709	4,244,864	4,378,583
Use of surplus funds:						
Transfer of surplus	(47,282)	47,282	-	-	-	-
	(47,282)	47,282	-	-	-	-
End of year	\$ -	\$ 66,150	\$ -	\$ 5,507,986	\$ 5,574,136	\$ 4,244,864

The notes to financial statements form an integral part of this report.

NORTH SIMCOE COMMUNITY FUTURES DEVELOPMENT CORPORATION

Statement of Cash Flows

Year ended March 31, 2021

	Operating Funds		Restricted Funds		2021	2020
	General Fund	Board Fund	SSS Fund	Investment Fund	Total	Total
Cash provided by (used in)						
Operating activities						
Revenue (deficiency) over expenses for the year	\$ 47,282	\$ -	\$ (7,287)	\$ 1,289,277	\$ 1,329,272	\$ (133,719)
Add - amortization of capital assets	3,205	-	1,167	-	4,372	2,175
- amortization of deferred capital contributions	(700)	-	(1,168)	-	(1,868)	(1,806)
	49,787	-	(7,288)	1,289,277	1,331,776	(133,350)
Changes in non-cash working capital balances						
Accounts receivable	782	-	-	479	1,261	33,829
Accrued interest receivable	-	-	-	(26,773)	(26,773)	(22,961)
Prepaid expenses	1,586	-	-	-	1,586	(2,435)
Accounts payable and accrued liabilities	(12,956)	-	(12,016)	-	(24,972)	12,350
Deferred revenue	-	-	-	-	-	(9,916)
Interfund balances	(23,211)	(47,282)	-	70,493	-	-
	15,988	(47,282)	(19,304)	1,333,476	1,282,878	(122,483)
Investing activities						
Transfer of funds	(47,282)	47,282	-	-	-	-
Loans receivable, net	-	-	-	(1,493,479)	(1,493,479)	54,781
Purchase of investments	-	-	-	-	-	(250,000)
Purchase of capital assets	(14,745)	-	-	-	(14,745)	-
	(62,027)	47,282	-	(1,493,479)	(1,508,224)	(195,219)
Cash position						
Cash increase (decrease) during the year	(46,039)	-	(19,304)	(160,003)	(225,346)	(317,702)
Cash balance, beginning of year	77,186	15,978	19,304	436,086	548,553	866,255
Cash balance, end of year	\$ 31,147	\$ 15,978	\$ -	\$ 276,083	\$ 323,208	\$ 548,553

The notes to financial statements form an integral part of this report.

NORTH SIMCOE COMMUNITY FUTURES DEVELOPMENT CORPORATION

Schedule of Expenses

Year ended March 31, 2021

	Operating Funds		Restricted Funds			
	General Fund	Board Fund	SSS Fund	Investment Fund	2021 Total	2020 Total
Salaries and benefits						
Salaries	\$ 200,767	\$ -	\$ 46,114	\$ -	\$ 246,881	\$ 254,744
Benefits	34,241	-	8,771	-	43,012	58,354
	\$ 235,008	\$ -	\$ 54,885	\$ -	\$ 289,893	\$ 313,098
Occupancy & equipment						
Rent & taxes	\$ 31,424	\$ -	\$ 1,890	\$ -	\$ 33,314	\$ 32,208
Repairs & maintenance	3,287	-	-	-	3,287	3,332
Equipment maintenance	533	-	-	-	533	1,183
Capital expenditures under \$1,000	1,491	-	-	-	1,491	1,080
Insurance	2,248	-	-	-	2,248	2,970
Telephone and internet	4,793	-	300	-	5,093	3,663
Utilities expense	5,011	-	-	-	5,011	5,215
	\$ 48,787	\$ -	\$ 2,190	\$ -	\$ 50,977	\$ 49,651
Director & community meetings expense						
Meetings	\$ 92	\$ -	\$ -	\$ -	\$ 92	\$ 2,704
Loan management						
Collection costs	\$ 14,240	\$ -	\$ -	\$ -	\$ 14,240	\$ 14,851
Community development						
Public relations & marketing	\$ 9,800	\$ -	\$ -	\$ -	\$ 9,800	\$ 1,065
Memberships/dues/conferences	3,146	-	106	-	3,252	2,963
Consulting fees	34,430	-	-	-	34,430	-
Business & community development	9,600	-	-	-	9,600	13,288
	\$ 56,976	\$ -	\$ 106	\$ -	\$ 57,082	\$ 17,316
Administration						
Bank charges and interest	\$ 107	\$ -	\$ -	\$ 496	\$ 603	\$ 126
Software and technical upgrades	10,462	-	474	-	10,936	3,560
Office supplies	14,757	-	(88)	-	14,669	2,864
Professional/administration fees	18,053	-	-	-	18,053	13,990
Bilingual expense	3,498	-	-	-	3,498	986
Travel expense	99	-	-	-	99	1,460
Training	35	-	-	-	35	47
Miscellaneous	866	-	-	-	866	4,721
	\$ 47,877	\$ -	\$ 386	\$ 496	\$ 48,759	\$ 27,754

The notes to financial statements form an integral part of this report.

NORTH SIMCOE COMMUNITY FUTURES DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended March 31, 2021

1. Purpose of the Organization

The North Simcoe Community Futures Development Corporation's primary purpose is to provide community economic development services in the region of North Simcoe. The Organization's mandate is to support rural communities by providing strategic community planning and implementation, repayable financing for local businesses and a variety of business services for small and medium sized enterprises. The Organization was incorporated without share capital on April 16, 1986 under provisions of the Ontario Corporations Act. The Organization is to carry on business without purposes of gain for its members and any profits or other accretion to the Organization shall be used in promoting its objects.

If the Organization were to dissolve and after the payment of all debts, the remaining assets of the Organization would be distributed or disposed of to another organization with similar goals and objectives as approved by the Federal Economic Development Agency for Southern Ontario ("FedDev Ontario").

The Organization is exempt from income tax as per section 149(1)(L) of the Income Tax Act of Canada.

2. Significant accounting policies

Basis of presentation

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO). The following is a summary of the more significant accounting policies:

Revenue recognition

The Organization follows the restricted fund method of accounting for contributions.

Restricted contributions related to the Operating Funds, which consist of the General Fund and Board Fund, are recognized as revenue in the year in which the related expenses are incurred. Any unspent restricted funds at year-end relating to the Operating Funds are recorded as deferred revenue.

Unrestricted contributions are recognized as revenue of the General Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection reasonably assured.

Restricted contributions related to the Restricted Funds, which consist of the Severn Sound Sustainability ("SSS") Fund and the Investment Fund, are recognized as revenue of the appropriate Restricted Fund upon receipt.

Funding received by the Operating Funds for the purpose of the purchase of capital assets are deferred and recorded as deferred capital contributions on the Statement of Financial Position. The amortization of deferred capital contributions is recorded as revenue in the Statement of Operations on the same basis as the amortization of the underlying capital assets (see note 7).

Interest and investment revenue are recognized into revenue on the accrual basis. Restricted interest and investment revenue are recorded in the SSS Fund and the Investment Fund. Unrestricted interest and investment revenue is recognized in the Operating Funds. The Organization accrues interest on loans and mortgages in arrears until collection becomes doubtful.

Other income is recognized when earned.

NORTH SIMCOE COMMUNITY FUTURES DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended March 31, 2021

2. Significant accounting policies (continued)

Fund accounting

The Organization uses fund accounting. A description of the funds are described below:

The General Fund accounts for the Organization's program delivery and administrative activities. This fund primarily reports unrestricted resources and operating contributions from FedDev Ontario.

The Investment Fund was established to provide financing for new and existing enterprises in order to protect or create new jobs. Income generated by the Investment Fund must be used for the purposes of the Investment Fund and may not be transferred to other funds unless authorized by FedDev Ontario by way of a Sustainable Investment Fund Transfer.

The Board Fund consists of internally restricted funds which may be used for the benefit of the Organization and the community at large as determined by the Board of Directors.

Loans receivable

Loans receivable includes traditional loans and Regional Relief and Recovery Fund ("RRRF") loans which were issued during the current fiscal year (note 4). Traditional loans are recorded at fair value upon initial recognition. RRRF loans are recorded at face value which constitutes a departure from Canadian accounting standards for not-for-profit organizations which require that when a financial asset is originated or acquired or a financial liability is issued or assumed in an arm's length transaction, an entity shall measure it at its fair value.

Capital assets and amortization

Capital assets are recorded at cost less accumulated amortization and impairment. Amortization is calculated on a straight-line basis based on the estimated useful lives of the assets as follows:

Assets	Expected useful life
Furniture and fixtures	10 years
Computer equipment	4 years

Long-lived assets are tested for impairment whenever events or changes in circumstances indicate an asset might be impaired. The assets are tested for impairment by comparing their net carrying value to their fair value or replacement cost. If the asset's value or replacement cost is determined to be less than its net carrying value, the resulting impairment is reported on the statement of operations. Any impairment recognized is not reversed.

Investments

Portfolio investments are recorded at cost.

NORTH SIMCOE COMMUNITY FUTURES DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended March 31, 2021

2. Significant accounting policies (continued)

Management uncertainty

Management reviews the carrying amounts of items in the financial statements at each balance sheet date to assess the need for revision or any possibility of impairment. Many items in the preparation of these financial statements require management's best estimate. Management determines these estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action.

These estimates are reviewed periodically and adjustments are made to net income as appropriate in the year they become known.

Items subject to significant management estimate include the valuation of loans receivable and the useful lives of capital assets.

Financial instruments

Financial assets or liabilities obtained in arm's length transactions are initially measured at their fair value. When the cash consideration paid or received is different than the fair value at initial consideration, the difference is recognized in the statement of operations. All financial instruments are subsequently measured at cost or amortized cost less impairment. The initial fair value is adjusted for financing fees and transactions costs that are directly attributable to its origination, acquisition, issuance or assumption.

A financial asset (or group of similar financial assets) measured at cost or amortized cost is tested for impairment when there are indicators of impairment. Impairment losses are recognized in the statement of operations. The amounts of any write-downs or reversals are recognized in net income.

Financial instruments include cash, receivables, loan receivable, investment in Future Health Services and accounts payable.

3. Capital assets

			2021	2020
	Cost	Accumulated Amortization	Net book value	Net book value
Furniture and fixtures - General Fund	\$ 26,391	\$ 17,409	\$ 8,982	\$ 1,490
Furniture and fixtures - Enhanced Operations	6,507	6,507	-	-
Computer equipment - General Fund	20,212	15,980	4,232	184
Computer equipment - SSS (Trillium)	-	-	-	1,167
	\$ 53,110	\$ 39,896	\$ 13,214	\$ 2,841

NORTH SIMCOE COMMUNITY FUTURES DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended March 31, 2021

4. Continuity of loans and provision for losses on loans

The loans receivable balance comprises:

	2021	2020
Loans outstanding:		
Balance, beginning of year	\$ 3,807,129	\$ 3,811,910
Add - new traditional loans advanced in the year (i)	867,500	979,206
- amortization of adjustment due to contractual changes of loan terms	64,000	-
- new RRRF loans advanced in the year (ii)	1,055,690	-
	5,794,319	4,791,116
Less - principal repayments	459,749	529,593
- loans written off	21,102	190,394
- loans exchanged to equity	-	200,000
- adjustment due to contractual changes to loan terms (note 13)	12,860	64,000
	493,711	983,987
Balance, end of year	5,300,608	3,807,129
Allowance for doubtful loans:		
Balance, beginning of year	400,000	350,000
Add: charges to operations	21,102	243,008
	421,102	593,008
Less: loans, interest and fees written off	21,102	193,008
	400,000	400,000
Balance, end of year	400,000	400,000
Loans receivable	\$ 4,900,608	\$ 3,407,129

(i) Traditional loans receivable bear interest at varying rates from 5% to 10.7% at fixed terms of twelve months to sixty months.

(ii) During the year, the Organization received \$1,357,635 from FedDev Ontario as part of the Regional Relief and Recovery Fund ("RRRF"). In turn, the Organization provided eligible small and medium-sized enterprises with interest-free loans of up to \$60,000 to help alleviate financial hardship resulting from COVID-19 during the period of March 15, 2020 to September 30, 2021. The interest-free period ends on December 31, 2022. As at March 31, 2021, the Organization had disbursed \$1,317,635 of the \$1,357,635 received to enterprises and disbursed the remaining \$40,000 subsequent to year-end.

Loans repaid on or before December 31, 2022 will result in loan forgiveness of 25% to 33% depending on the loan amount. If the non-forgivable portion of the RRRF loans are not repaid by December 31, 2022, the balance owing will be converted to a three-year loan bearing interest 5% and repayable monthly including principal and interest. The loan must be fully repaid by December 31, 2025.

NORTH SIMCOE COMMUNITY FUTURES DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended March 31, 2021

4. Continuity of loans and provision for losses on loans (continued)

The face value of the loans issued at their initial recognition was \$1,317,635. The estimated amount of the loans to be forgiven by December 31, 2022 is \$261,945 which has been charged to the Statement of Operations as a grant expense. The amount of issued loans net of the estimated forgivable amount is \$1,055,690.

The Board of Directors determines the allowance for doubtful loans by providing for specific loan losses after reviewing outstanding loans on a loan-by-loan basis plus the use of an estimated percentage based on past experience for all loans for which no specific provision has been established.

The loan principal payments due to be received over the next five years and thereafter are as follows:

2022	\$ 129,858
2023	971,955
2024	480,804
2025	566,438
2026	508,874
Thereafter	2,517,484
	<u>\$ 5,175,413</u>

5. Government contributions

During the 2021 fiscal year, the Organization received funding of \$402,517 from FedDev Ontario (2020 - \$276,985), for general operations, all of which was recognized as revenue in the General Fund. FedDev Ontario also provided \$1,357,635 for RRRF loans (note 4) which has been recognized in the Investment Fund.

6. Investment

The investment in Future Health Services ("FHS") consists of 250 Class A non-voting Preference shares at a carrying amount of \$1,000 per share. These shares pay a 4% non-cumulative dividend. In addition, the investment consists of 1 voting Class G Common share at a carrying amount of \$0.10. This investment represents 16.7% of the total issued and outstanding Class A Preference shares and 6.7% of the total issued and outstanding Common shares of FHS.

NORTH SIMCOE COMMUNITY FUTURES DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended March 31, 2021

7. Deferred capital contributions

Deferred capital contributions related to capital assets represent the unamortized amount of government contributions received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2021	2020
Balance, beginning of year	\$ 2,658	\$ 4,464
Less: amounts recognized as amortization of deferred capital contribution for the year	(1,868)	(1,806)
Balance, end of year	\$ 790	\$ 2,658

8. Other income

Other income in the General Fund consists of loan fees, rental income and office support fees charged to a third party.

9. Interfund balances

Interfund balances are non-interest bearing and have no fixed terms of repayment.

10. Commitments

A total of \$290,000 of loans had been approved but not advanced at March 31, 2021 (March 31, 2020 - \$250,000).

11. Financial instruments

The Organization's main financial instrument risk exposure is detailed as follows:

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Organization is exposed to credit risk from its loan receivable. Outstanding balances are reviewed for any long outstanding accounts on a regular basis and the financial statements take into account an allowance for doubtful accounts. The Organization has a significant number of customers which minimizes the concentration of credit risk.

During the year, the Organization disbursed a new type of loan (RRRF loans) to assist entities during the COVID-19 pandemic.

Liquidity risk

The Organization is exposed to liquidity risk to the extent that it must meet its financial obligations as they fall due. The Organization is exposed to liquidity risk with respect to its accounts payable and commitments. The Organization's approach to managing liquidity risk is to ensure that it has sufficient cash to met its obligations when due.

NORTH SIMCOE COMMUNITY FUTURES DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended March 31, 2021

11. Financial instruments (continued)

Market risk

Market risk is the risk that the fair value of expected future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks: currency risk, interest rate risk and other price risk. The Organization is mainly exposed to interest rate risk.

(i) Interest rate risk

The Organization is exposed to interest rate risk with respect to financial assets bearing fixed and variable interest rates.

(ii) Other price risk

The Organization is exposed to other price risk due to investments since changes in market prices could result in changes in fair value of these instruments.

Other than the new RRRF loans disbursed during the year, there have been no other changes in risk exposure from the previous year.

12. COVID-19

The outbreak of a novel strain of coronavirus ("COVID-19") was declared a global pandemic by the World Health Organization in March 2020. COVID-19 has severely impacted many economies around the globe. In many countries, including Canada, businesses were forced to cease or limit operations for long periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The current COVID-19 pandemic has impacted the operations of the Organization and is expected to have a medium term impact. The financial impact is primarily on the loans receivable balance where there is an increased risk that loan clients could default on principal and/or interest payments in the future. During the fiscal year the Organization granted a waiver for clients' loan payments in the period from April 1, 2020 to September 30, 2020 whereby interest was not charged during the waiver period and the terms of the loans were extended for another 6 months from the original maturity dates. Two of the loans were further extended by 12 months to September 30, 2021. Due to the changes in the contractual terms of the loans to forego interest charges during the waiver period, the carrying amount of the loans receivable has been adjusted to reflect the change in contractual cash flows with a corresponding expense to net income.

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences as well as their impact on the financial position and results of the Organization for future periods.

13. Comparative figures

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.