

Financial Statements of

FUTURPRENEUR CANADA

And Independent Auditors' Report thereon

Year ended March 31, 2022



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Futurpreneur Canada

Opinion

We have audited the financial statements of Futurpreneur Canada (the Entity), which comprise:

- the statement of financial position as at March 31, 2022
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2022, 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 Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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 the 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 Entity's internal control.



Page 3

- 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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.
- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

July 20, 2022

FUTURPRENEUR CANADA

Statement of Financial Position

March 31, 2022, with comparative information for 2021

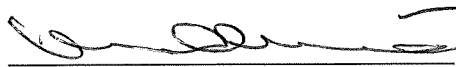
	2022	2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 11,734,891	\$ 15,381,837
Contributions and accounts receivable	184,670	158,583
Current portion of loans receivable (note 2)	12,506,099	12,947,641
Accrued interest receivable	116,165	95,960
Prepaid expenses	382,370	219,688
	<u>24,924,195</u>	<u>28,803,709</u>
Loans receivable (note 2)	22,420,801	18,085,092
Capital assets (note 3)	93,689	112,475
	<u>\$ 47,438,685</u>	<u>\$ 47,001,276</u>

Liabilities and Net Assets

Current liabilities:		
Bank indebtedness (note 4)	\$ 4,145,000	\$ 5,080,210
Accounts payable and accrued liabilities	848,530	887,579
Deferred contributions (note 5)	787,428	939,288
	<u>5,780,958</u>	<u>6,907,077</u>
Net assets:		
Invested in capital assets	93,689	112,475
Unrestricted	30,064,038	28,481,724
Internally restricted (note 6)	11,500,000	11,500,000
	<u>41,657,727</u>	<u>40,094,199</u>
Commitments (note 8)		
	<u>\$ 47,438,685</u>	<u>\$ 47,001,276</u>

See accompanying notes to financial statements.

On behalf of the Board:



Valerie Fox

Director

FUTURPRENEUR CANADA

Statement of Operations

Year ended March 31, 2022, with comparative information for 2021

	2022	2021
Revenue:		
Contributions and sponsorships (note 5)	\$ 11,432,977	\$ 28,915,971
Loan interest	2,253,457	2,035,669
Loan fees	694,426	585,931
Investment	34,786	86,066
Other (notes 4 and 9)	701,023	567,169
	<u>15,116,669</u>	<u>32,190,806</u>
Expenses (note 7):		
Entrepreneurial programs	9,092,657	17,079,202
Outreach initiatives	1,204,195	1,114,455
Fundraising development	717,121	770,527
Administration	2,539,168	2,197,488
	<u>13,553,141</u>	<u>21,161,672</u>
Excess of revenue over expenses	<u>\$ 1,563,528</u>	<u>\$ 11,029,134</u>

See accompanying notes to financial statements.

FUTURPRENEUR CANADA

Statement of Changes in Net Assets

Year ended March 31, 2022, with comparative information for 2021

				2022	2021
	Invested in capital assets	Unrestricted	Internally restricted	Total	Total
Net assets, beginning of year	\$ 112,475	\$ 28,481,724	\$ 11,500,000	\$ 40,094,199	\$ 29,065,065
Excess (deficiency) of revenue over expenses	(119,276)	1,682,804	–	1,563,528	11,029,134
Purchase of capital assets	100,490	(100,490)	–	–	–
Net assets, end of year	\$ 93,689	\$ 30,064,038	\$ 11,500,000	\$ 41,657,727	\$ 40,094,199

See accompanying notes to financial statements.

FUTURPRENEUR CANADA

Statement of Cash Flows

Year ended March 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operating activities:		
Cash received from contributions and sponsorships	\$ 11,956,054	\$ 30,449,829
Investment income received for operation purposes	34,786	86,066
Cash received from principal payments	12,757,799	10,727,427
Interest and fees income received on loans	2,927,677	2,612,970
Loan advances	(13,684,500)	(22,507,500)
Black Entrepreneur Startup Program loan advances	(4,170,000)	(30,000)
Cash paid for employment costs	(9,584,607)	(8,559,112)
Cash paid for operating expenses	(2,848,455)	(7,420,487)
	(2,611,246)	5,359,193
Financing activities:		
Decrease in bank indebtedness	(935,210)	(944,236)
Investing activities:		
Purchase of capital assets	(100,490)	(66,112)
Increase (decrease) in cash and cash equivalents	(3,646,946)	4,348,845
Cash and cash equivalents, beginning of year	15,381,837	11,032,992
Cash and cash equivalents, end of year	\$ 11,734,891	\$ 15,381,837

See accompanying notes to financial statements.

FUTURPRENEUR CANADA

Notes to Financial Statements

Year ended March 31, 2022

Futurpreneur Canada (the "Organization") is a non-profit organization, funded through public-private partnerships, designed to provide mentoring, business support and financing to young Canadian entrepreneurs who are creating new businesses. The Organization was continued under the Canada Not-for-profit Corporations Act in April 2014.

The Organization is a registered not-for-profit organization exempt from tax.

1. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the Chartered Professional Accountants of Canada's Handbook. The significant accounting policies are as follows:

(a) Cash and cash equivalents:

Cash and cash equivalents comprise cash on account and investments in units of high interest savings accounts.

(b) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently measured at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Organization has elected to carry non-equity investments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

FUTURPRENEUR CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2022

1. Significant accounting policies (continued):

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Organization determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Organization expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(c) Revenue recognition:

The Organization follows the deferral method of accounting for contributions, which includes contributions from corporations and government grants. Government grants and corporate sponsorships are recognized as revenue in the year in which the related expenses are recognized or the spending restrictions are met.

Investment income, which includes interest income, is recognized in the statement of operations as earned.

(d) Loans receivable:

Loans receivable are stated at amortized cost using the effective interest method, net of the allowance for loan losses.

Interest is recorded on the accrual basis for all loans, except on loans classified as impaired. A loan is classified as impaired when, in the opinion of management, there no longer is reasonable assurance of timely collection of the full amount of principal and interest. Impaired loans are written off. Interest received on a loan subsequent to its classification as impaired is not recorded as income. Subsequent collection of amounts on loans previously written off are netted and applied against the loan loss provision.

Any transaction costs are expensed as incurred.

FUTURPRENEUR CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2022

1. Significant accounting policies (continued):

(e) Allowance for loan losses:

Management of the Organization establishes and maintains an allowance for loan losses, which it considers the best possible estimate of probable loan losses in light of current conditions. The allowance for loan losses is deducted from loans receivable to arrive at a net carrying value.

(f) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is provided on a straight-line basis over the following periods:

Computers and software	3 years
Office furniture	3 years
Leasehold improvements	Lesser of the term of lease and useful life of the asset

(g) Contributions-in-kind:

Amounts are reflected in the financial statements for contributed operating materials and services only when an objective basis is available to measure the value of such services and when the contributed materials or services would have otherwise been purchased.

(h) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. The most significant item subject to management's estimation is the allowance for loan losses. Actual results could differ from those estimates.

FUTURPRENEUR CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2022

1. Significant accounting policies (continued):

(i) Allocation of expenditures:

The Organization classifies its activities into four principal functions: entrepreneurial programs, outreach initiatives, fundraising development, and administration. The cost of each function includes direct costs associated with those functions: employment costs, other direct expenses and allocations.

Employment costs are allocated if necessary when a role supports more than one function.

The Organization incurs a number of shared indirect costs, common operating and other expenses relating to more than one function that are allocated by the Organization. These costs include the cost of management and administrative personnel, occupancy costs, other operating expenses and amortization not directly or only attributable to a specific function. These expenses are allocated by applying a percentage based on the percentage of all other direct costs attributed to the function.

2. Loans receivable:

Loan terms range from four to five years, with no principal payments due within the first year:

	2022	2021
Total loans	\$ 34,926,900	\$ 31,032,733
Less current portion	12,506,099	12,947,641
Total long-term portion	\$ 22,420,801	\$ 18,085,092

Loans are comprised of the following:

- (a) Loans receivable consist of unsecured floating rate (ranging from prime to prime plus 3.75%) loans to young entrepreneurs for the start-up of new businesses. The maximum amount of an initial loan cannot exceed \$20,000.

FUTURPRENEUR CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2022

2. Loans receivable (continued):

The following table summarizes the Organization's loan portfolio (excluding Black Entrepreneur Startup Program ("BESP")) loans by payment due dates:

2022	Within 1 year	1 - 2 years	3 - 5 years	Total
Loans	\$ 12,060,661	\$ 11,709,443	\$ 17,252,428	\$ 41,022,532
Allowance for loan losses				(10,255,633)
Loans, net of allowance				30,766,899
Less amounts due within 1 year				12,060,661
Loans - long-term				\$ 18,706,238

2021	Within 1 year	1 - 2 years	3 - 5 years	Total
Loans	\$ 12,917,641	\$ 10,800,036	\$ 17,619,302	\$ 41,336,979
Allowance for loan losses				(10,334,246)
Loans, net of allowance				31,002,733
Less amounts due within 1 year				12,917,641
Loans - long-term				\$ 18,085,092

The fair value of the loans approximates the carrying value of loans, net of allowance and is calculated based on estimated future cash flow amounts.

The general allowance for loan losses is summarized as follows:

	2022	2021
Balance, beginning of year	\$ 10,334,246	\$ 6,134,274
Write offs, net of recoveries applied to allowance	(1,100,665)	(1,019,751)
Loan loss expense	1,022,052	5,219,723
Balance, end of year	\$ 10,255,633	\$ 10,334,246

FUTURPRENEUR CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2022

2. Loans receivable (continued):

- (b) In March 2021, the Organization launched BESP and the maximum amount of an initial loan under this program is \$40,000. Repayment of Royal Bank of Canada's ("RBC") line of credit shall be limited to receiving the proceeds of BESP loan interest payments and principal repayments as and when received by the Organization. Therefore, no loan loss provision is required for these loans.

The following table summarizes the Organization's BESP loan portfolio by payment due dates:

2022	Within 1 year	1 - 2 years	3 - 5 years	Total
Loans	\$ 445,438	\$ 1,040,000	\$ 2,674,563	\$ 4,160,001
Less amounts due within 1 year				445,438
Loans - long-term				\$ 3,714,563

3. Capital assets:

			2022	2021
	Cost	Accumulated amortization	Net book value	Net book value
Computers and software	\$ 1,612,461	\$ 1,524,084	\$ 88,377	\$ 105,723
Office furniture	166,912	161,600	5,312	6,752
Leasehold improvements	309,681	309,681	-	-
	\$ 2,089,054	\$ 1,995,365	\$ 93,689	\$ 112,475

FUTURPRENEUR CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2022

4. Bank indebtedness:

(a) Business Development Bank of Canada ("BDC"):

(i) Credit facility:

On September 29, 2017, the Organization signed a Letter of Offer with BDC for a \$20 million demand revolving credit facility. The Organization signed an amended Letter of Offer on March 23, 2021 amending certain terms and conditions of the credit facility. As per the March 23, 2021 amendment, the borrowing limit was reduced from \$20 million to \$10 million and it was agreed that borrowing covenants shall not apply to the BESP loan pool funded by RBC as it will fall under Special Initiatives. The credit facility bears interest at BDC's floating base rate minus a variance of 2.74% per annum plus a stand by fee of 0.07% per annum of the unused portion of the credit facility. The credit facility is repayable on demand and is secured by a general security agreement constituting a first priority ranking and exclusive charge on all property of the Organization, including rights of the Organization in the loans receivable, but excluding the assets under Special Initiatives such as BESP.

As at March 31, 2022, the Organization drew nil (2021 - \$5,050,210) on the credit facility. When drawn down, these funds are used for loan capital for young entrepreneurs. Under the terms of the credit facility the Organization is required to maintain certain covenants. The Organization complied with these covenants as at March 31, 2022 and 2021.

(ii) Co-lending agreement :

On March 19, 2021, the Organization entered into an amended and restated co-lending agreement with BDC to provide additional financing to eligible Organization applicants, and BDC's total commitment is up to \$60 million.

Included in other revenue are fees received from BDC of \$448,252 (2021 - \$425,873).

FUTURPRENEUR CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2022

4. Bank indebtedness (continued):

(b) RBC:

On March 23, 2021, the Organization signed a credit agreement with RBC for a \$3 million revolving demand facility to help fund loans made by the organization under the BESP. As per November 30, 2021 amendment, the credit facility amount was increased from \$3,000,000 to \$6,000,000. The credit facility bears interest at RBC's prime rate plus 3.75% on the balance outstanding on the credit facility. RBC's recourse against the Organization for collection of all amounts owing under this agreement is limited to receiving the proceeds of BESP loan interest payments and principal repayments as and when received by the organization. The credit facility is repayable by demand and is secured by a Security Agreement constituting a first ranking priority on all BESP loans receivable funded under RBC's credit facility.

As at March 31, 2022, the Organization drew \$4,145,000 (2021 - \$30,000) on this facility.

5. Deferred contributions:

The Organization has received several grants from the federal and provincial governments and corporate sponsorships. The amount of contributions and sponsorships not yet recognized as revenue is as follows:

	2022	2021
Balance, beginning of year	\$ 939,288	\$ 504,665
Contributions and sponsorships received	10,315,468	29,232,000
Amounts recognized as contributions and sponsorships	(10,467,328)	(28,797,377)
Balance, end of year	\$ 787,428	\$ 939,288

6. Internally restricted net assets:

During 2015, the Board of Directors approved a transfer of \$11,500,000 from unrestricted to internally restricted net assets. The internally restricted net assets are set aside for future operations and resources for new start-up financing.

FUTURPRENEUR CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2022

7. Expenses by function:

2022	Entrepreneurial programs	Outreach initiatives	Fundraising development	Administration	Total
Employment costs	\$ 6,565,435	\$ 731,034	\$ 539,032	\$ 1,749,106	\$ 9,584,607
Marketing costs	495,758	297,490	75	364	793,687
Programs costs	379,266	120,018	138,321	177,512	815,117
Office occupancy and operating costs	542,471	46,917	33,931	590,563	1,213,882
Amortization	83,155	8,736	5,762	21,623	119,276
Loan loss expense	1,022,052	–	–	–	1,022,052
COVID relief coverage expense	4,520	–	–	–	4,520
	\$ 9,092,657	\$ 1,204,195	\$ 717,121	\$ 2,539,168	\$ 13,553,141

2021	Entrepreneurial programs	Outreach initiatives	Fundraising development	Administration	Total
Employment costs	\$ 5,575,420	\$ 805,417	\$ 631,294	\$ 1,546,981	\$ 8,559,112
Marketing costs	151,448	156,940	–	–	308,388
Programs costs	281,339	121,165	111,475	127,329	641,308
Office occupancy and operating costs	617,398	26,208	24,015	512,195	1,179,816
Amortization	94,402	4,725	3,743	10,983	113,853
Loan loss expense	5,227,223	–	–	–	5,227,223
COVID relief coverage expense	5,131,972	–	–	–	5,131,972
	\$ 17,079,202	\$ 1,114,455	\$ 770,527	\$ 2,197,488	\$ 21,161,672

8. Commitments:

The Organization has operating lease commitments for its equipment and premises as follows:

2023	\$ 1,108,500
2024	810,000
2025	743,800
2026	715,300
2027	735,600
Thereafter	2,167,700
	\$ 6,280,900

FUTURPRENEUR CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2022

9. Related party transactions:

Transactions with Futurpreneur Foundation ("FF"):

The Organization has an economic relationship with FF. FF was registered as a charity under the Income Tax Act (Canada) effective April 1, 2012. The Organization is providing administrative support and facilities to FF. The purpose of FF is to advance education that focuses on personal and business skill development and entrepreneurship, and to advance education through research on entrepreneurship and the publication of useful results of such research.

During the year, the Organization administered a program on behalf of FF. Total costs associated with the programs were \$249,996 (2021 - \$239,467).

FF has not been consolidated in the financial statements of the Organization. The financial summary is as follows:

Statement of financial position:

	2022	2021
Assets	\$ 515,608	\$ 258,260
Liabilities	122,803	122,176
Net assets	\$ 392,805	\$ 136,084

Statement of operations:

	2022	2021
Revenue	\$ 525,384	\$ 262,497
Expenses	268,663	251,196
Excess of revenue over expenses	\$ 256,721	\$ 11,301

FUTURPRENEUR CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2022

9. Related party transactions (continued):

Statement of cash flows:

	2022	2021
Operating activities	\$ 257,106	\$ (238,656)
Increase (decrease) in cash	257,106	(238,656)
Cash, beginning of year	257,057	495,713
Cash, end of year	\$ 514,163	\$ 257,057

10. Financial risk management:

The Organization's activities expose it to credit risk and liquidity risk. The Organization believes that it is not exposed to significant interest rate and market risks arising from its financial instruments. The Organization's overall risk management program and business practices seek to minimize any potential adverse effect of those risks on the Organization's performance. COVID-19 resulted in nation-wide business disruption in Canada, and severe economic repercussions for all small businesses, particularly main street start-up enterprises that form a significant portion of the Youth Entrepreneurs who are serviced by the Organization.

(a) Credit risk:

Credit risk arises from the possibility that borrowers may be unable to fulfill their obligations. The Organization mitigates this risk by limiting loan amounts to individual entrepreneurs and by hiring individuals with the required expertise to assess the merits of loan applications from entrepreneurs. The Organization provides a mandatory mentorship program, while undertaking individual due diligence and adjudications for all applications of its individual entrepreneurs, to mitigate any other potential financial risks after loans are disbursed.

In 2021, the Organization assessed the impact of COVID-19 on its loan loss provision and arrived at the conclusion that the impact of COVID-19 on year end loans receivable balance, even with the COVID-19 relief programs, will be higher than years before COVID-19. Hence, the Organization has maintained its increased loan loss provision of 25% (2021 - 25%; 2020 - 20%).

FUTURPRENEUR CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2022

10. Financial risk management (continued):

(b) Liquidity risk:

The Organization manages liquidity risk by continuously monitoring actual and projected cash flows to ensure that it will have sufficient liquidity to meet its liabilities when due.