

COMMUNITY FUTURES EAST CENTRAL

Financial Statements

Year Ended March 31, 2015

COMMUNITY FUTURES EAST CENTRAL
Index to Financial Statements
Year Ended March 31, 2015

| | Page |
|--|---------|
| INDEPENDENT AUDITOR'S REPORT | 1 - 2 |
| FINANCIAL STATEMENTS | |
| Statement of Financial Position | 3 - 4 |
| Statement of General and Capital Asset Fund Revenues and Expenses | 5 |
| Statement of Loan Investment Fund Revenues and Expenses | 6 |
| Statement of Changes in Net Assets | 7 |
| Breakdown of Net Assets | 7 |
| Statement of Cash Flows | 8 - 9 |
| Notes to Financial Statements | 10 - 16 |

INDEPENDENT AUDITOR'S REPORT

To the Members of Community Futures East Central

We have audited the accompanying financial statements of Community Futures East Central, which comprise the statement of financial position as at March 31, 2015 and the statements of changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(continues)

Independent Auditor's Report to the Members of Community Futures East Central *(continued)*

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Community Futures East Central as at March 31, 2015 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.

A handwritten signature in black ink that reads "Carlson Roberts Seely M.P." in a cursive style.

Drayton Valley, Alberta
June 23, 2015

CHARTERED ACCOUNTANTS

COMMUNITY FUTURES EAST CENTRAL
Statement of Financial Position
March 31, 2015

| | General Fund 2015 | Capital Asset 2015 | Restricted Non- repayable 2015 | Restricted- Repayable 2015 | Restricted- Disabled 2015 | Total 2015 | Total 2014 |
|---|----------------------|-----------------------|--------------------------------------|----------------------------------|---------------------------------|---------------|---------------|
| ASSETS | | | | | | | |
| CURRENT | | | | | | | |
| Cash and term deposits (Note 2) | \$ 98,435 | \$ - | \$ 114,943 | \$ 346,504 | \$ 115,391 | \$ 675,273 | \$ 662,920 |
| Goods and services tax recoverable | 1,648 | - | - | - | - | 1,648 | 2,638 |
| Prepaid expenses | 4,331 | - | - | - | - | 4,331 | 4,173 |
| Current portion of investment loans receivable (Note 4) | - | - | 138,052 | 297,368 | 10,528 | 445,948 | 397,332 |
| | 104,414 | - | 252,995 | 643,872 | 125,919 | 1,127,200 | 1,067,063 |
| PROPERTY, PLANT AND EQUIPMENT (Net of accumulated amortization) (Note 3) | - | 244,915 | - | - | - | 244,915 | 260,067 |
| LOANS AND NOTES RECEIVABLE (Note 4) | - | - | 784,076 | 1,817,150 | 2,483 | 2,603,709 | 2,094,243 |
| | \$ 104,414 | \$ 244,915 | \$ 1,037,071 | \$ 2,461,022 | \$ 128,402 | \$ 3,975,824 | \$ 3,421,373 |

See notes to financial statements

COMMUNITY FUTURES EAST CENTRAL
Statement of Financial Position
March 31, 2015


| General Fund 2015 | Capital Asset 2015 | Restricted Non- repayable 2015 | Restricted- Repayable 2015 | Restricted- Disabled 2015 | Total 2015 | Total 2014 |
|----------------------|-----------------------|--------------------------------------|----------------------------------|---------------------------------|---------------|---------------|
| \$ 4,710 | \$ - | \$ - | \$ - | \$ - | \$ 4,710 | \$ 4,235 |
| 5,628 | - | - | - | - | 5,628 | 96,201 |
| - | 142,893 | - | - | - | 142,893 | 161,804 |
| - | - | 271,614 | 622,936 | 3,823 | 898,373 | 465,373 |
| 10,338 | 142,893 | 271,614 | 622,936 | 3,823 | 1,051,604 | 727,613 |
| 38 | - | - | - | - | 38 | 38 |
| 94,038 | 102,022 | 765,457 | 1,838,086 | 124,579 | 2,924,182 | 2,693,722 |
| 94,076 | 102,022 | 765,457 | 1,838,086 | 124,579 | 2,924,220 | 2,693,760 |
| \$ 104,414 | \$ 244,915 | \$ 1,037,071 | \$ 2,461,022 | \$ 128,402 | \$ 3,975,824 | \$ 3,421,373 |

LIABILITIES AND NET ASSETS

CURRENT
Accounts payable and accrued liabilities
Deferred revenue (Note 5)
Callable bank loan (Note 6)
Callable CFNA loan (Note 7)

NET ASSETS
Share capital (Note 8)
Net assets

ON BEHALF OF THE BOARD


Director
Director

See notes to financial statements

COMMUNITY FUTURES EAST CENTRAL
Statement of General and Capital Asset Fund Revenues and Expenses

Year Ended March 31, 2015

| | General Fund 2015 | Capital Asset 2015 | Total 2015 | Total 2014 |
|---|----------------------|-----------------------|------------------|--------------------|
| REVENUE | | | | |
| Federal contracts | \$ 294,963 | \$ - | \$ 294,963 | \$ 294,963 |
| Grants - Government of Alberta | 77,691 | - | 77,691 | 95,187 |
| Project and other | 8,298 | - | 8,298 | 7,287 |
| Loan fees and cost recoveries | 14,439 | - | 14,439 | 13,843 |
| Bank interest | 1,304 | - | 1,304 | 944 |
| | <u>396,695</u> | <u>-</u> | <u>396,695</u> | <u>412,224</u> |
| EXPENSES | | | | |
| Advertising and promotion | 10,639 | - | 10,639 | 16,917 |
| Amortization | - | 16,969 | 16,969 | 17,147 |
| Bank charges and interest | 599 | - | 599 | 1,212 |
| Insurance | 5,196 | - | 5,196 | 5,236 |
| Interest on bank loans | - | 5,789 | 5,789 | 6,568 |
| GST not recovered | 1,648 | - | 1,648 | 2,638 |
| Office supplies and postage | 43,108 | - | 43,108 | 35,778 |
| Professional development | 3,374 | - | 3,374 | 6,101 |
| Professional fees | 13,324 | - | 13,324 | 26,072 |
| Property taxes | 6,047 | - | 6,047 | 5,930 |
| Rent | 1,730 | - | 1,730 | 5,833 |
| Repairs and maintenance | 7,123 | - | 7,123 | 5,264 |
| Salaries & Wages | 127,605 | - | 127,605 | 188,931 |
| Sub-contract | 54,000 | - | 54,000 | 48,000 |
| Telephone, utilities and internet | 19,684 | - | 19,684 | 18,014 |
| Travel | 33,688 | - | 33,688 | 34,204 |
| | <u>327,765</u> | <u>22,758</u> | <u>350,523</u> | <u>423,845</u> |
| EXCESS (DEFICIENCY) OF EXPENSES OVER REVENUE | \$ 68,930 | \$ (22,758) | \$ 46,172 | \$ (11,621) |

See notes to financial statements

COMMUNITY FUTURES EAST CENTRAL
Statement of Loan Investment Fund Revenues and Expenses
Year Ended March 31, 2015

| | Restricted Non-repayable 2015 | Restricted- Repayable 2015 | Restricted- Disabled 2015 | Total 2015 | Total 2014 |
|--|----------------------------------|----------------------------------|---------------------------------|-------------------|-------------------|
| REVENUE | | | | | |
| Bank interest | \$ 1,073 | \$ 1,814 | \$ 701 | \$ 3,588 | \$ 11,168 |
| Investment interest | 68,887 | 146,814 | 3,128 | 218,829 | 161,211 |
| Loan fees and cost recoveries | - | 200 | - | 200 | 81,512 |
| | <u>69,960</u> | <u>148,828</u> | <u>3,829</u> | <u>222,617</u> | <u>253,891</u> |
| EXPENSES | | | | | |
| Provision (recovery) for investment losses | - | 14,467 | 974 | 15,441 | - |
| Interest on CFNA loan | 6,677 | 15,314 | 94 | 22,085 | 5,124 |
| Professional fees | - | 803 | - | 803 | 2,846 |
| | <u>6,677</u> | <u>30,584</u> | <u>1,068</u> | <u>38,329</u> | <u>7,970</u> |
| INCOME FROM OPERATIONS | \$ 63,283 | \$ 118,244 | \$ 2,761 | \$ 184,288 | \$ 245,921 |

See notes to financial statements

COMMUNITY FUTURES EAST CENTRAL
Statement of Changes in Net Assets
Year Ended March 31, 2015

| | General Fund 2015 | Capital Asset 2015 | Restricted Non- repayable 2015 | Restricted- Repayable 2015 | Restricted- Disabled 2015 | Total 2015 | Total 2014 |
|---------------------------------------|----------------------|-----------------------|--------------------------------------|----------------------------------|---------------------------------|---------------|---------------|
| NET ASSETS - BEGINNING OF YEAR | \$ 45,625 | \$ 98,263 | \$ 708,174 | \$ 1,719,842 | \$ 121,818 | \$ 2,693,722 | \$ 2,459,422 |
| Excess of trade sales over expenses | 68,930 | (22,758) | 63,283 | 118,244 | 2,761 | 230,460 | 234,300 |
| Fund transfer | (20,517) | 26,517 | (6,000) | - | - | - | - |
| NET ASSETS - END OF YEAR | \$ 94,038 | \$ 102,022 | \$ 765,457 | \$ 1,838,086 | \$ 124,579 | \$ 2,924,182 | \$ 2,693,722 |

Breakdown of Net Assets
Year Ended March 31, 2015

| | General Fund 2015 | Capital Asset 2015 | Restricted Non- repayable 2015 | Restricted- Repayable 2015 | Restricted- Disabled 2015 | Total 2015 | Total 2014 |
|------------------------|----------------------|-----------------------|--------------------------------------|----------------------------------|---------------------------------|---------------|---------------|
| Original contributions | \$ - | \$ - | \$ 988,682 | \$ 750,000 | \$ 200,000 | \$ 1,938,682 | \$ 1,938,682 |
| Earned net assets | 94,038 | 102,022 | (223,225) | 1,088,086 | (75,421) | 985,500 | 755,040 |
| | \$ 94,038 | \$ 102,022 | \$ 765,457 | \$ 1,838,086 | \$ 124,579 | \$ 2,924,182 | \$ 2,693,722 |

See notes to financial statements

COMMUNITY FUTURES EAST CENTRAL
Statement of Cash Flows
Year Ended March 31, 2015

| | General Fund 2015 | Capital Asset 2015 | Restricted Non- repayable 2015 | Restricted- Repayable 2015 | Restricted- Disabled 2015 | Total 2015 | Total 2014 |
|---|----------------------|-----------------------|--------------------------------------|----------------------------------|---------------------------------|---------------|---------------|
| OPERATING ACTIVITIES | | | | | | | |
| Excess of trade sales over expenses | \$ 68,930 | \$ (22,758) | \$ 63,283 | \$ 118,244 | \$ 2,761 | \$ 230,460 | \$ 234,300 |
| Items not affecting cash: | | | | | | | |
| Amortization of property, plant and equipment | - | 16,969 | - | - | - | 16,969 | 17,147 |
| | 68,930 | (5,789) | 63,283 | 118,244 | 2,761 | 247,429 | 251,447 |
| Changes in non-cash working capital: | | | | | | | |
| Accounts payable and accrued liabilities | 478 | - | - | - | - | 478 | (322) |
| Deferred revenue | (90,573) | - | - | - | - | (90,573) | 13,115 |
| Prepaid expenses | (158) | - | - | - | - | (158) | (957) |
| Goods and services tax payable | 990 | - | - | - | - | 990 | (430) |
| Loan loss provision | - | - | - | 14,121 | 1,004 | 15,125 | (79,135) |
| Loan fee accrual | (1,811) | - | (1,771) | (11,018) | (727) | (15,327) | - |
| | (91,074) | - | (1,771) | 3,103 | 277 | (89,465) | (67,729) |
| Cash flow from operating activities | (22,144) | (5,789) | 61,512 | 121,347 | 3,038 | 157,964 | 183,718 |
| INVESTING ACTIVITIES | | | | | | | |
| Purchase of property, plant and equipment | - | (1,817) | - | - | - | (1,817) | (12,872) |
| Repayment of loans and notes receivable | - | - | 117,359 | 675,754 | 20,163 | 813,276 | 1,064,473 |
| Addition to loans and notes receivable | - | - | (242,000) | (1,129,159) | - | (1,371,159) | (1,411,577) |
| Cash flow from (used by) investing activities | - | (1,817) | (124,641) | (453,405) | 20,163 | (559,700) | (359,976) |
| FINANCING ACTIVITIES | | | | | | | |
| Proceeds from callable debt financing | - | - | - | - | - | - | 250,000 |
| Repayment of callable debt | - | (18,911) | 123,019 | 312,339 | - | 435,358 | (18,132) |
| Intrfund transfers | (19,168) | 26,517 | (154,144) | 140,457 | (2,358) | - | - |
| | (19,168) | 26,517 | (154,144) | 140,457 | (2,358) | 6,338 | - |

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See notes to financial statements

COMMUNITY FUTURES EAST CENTRAL
Statement of Cash Flows (continued)
Year Ended March 31, 2015

| | General Fund 2015 | Capital Asset 2015 | Restricted Non- repayable 2015 | Restricted- Repayable 2015 | Restricted- Disabled 2015 | Total 2015 | Total 2014 |
|---|----------------------|-----------------------|--------------------------------------|----------------------------------|---------------------------------|---------------|---------------|
| Cash flow from (used by) financing activities | (19,168) | 7,606 | (31,125) | 452,796 | 3,980 | 414,089 | 231,868 |
| INCREASE (DECREASE) IN CASH FLOW | (41,312) | - | (94,254) | 120,738 | 27,181 | 12,353 | 55,610 |
| Cash - beginning of year | 139,747 | - | 209,197 | 225,766 | 88,210 | 662,920 | 607,310 |
| CASH - END OF YEAR (Note 2) | \$ 98,435 | \$ - | \$ 114,943 | \$ 346,504 | \$ 115,391 | \$ 675,273 | \$ 662,920 |

See notes to financial statements

COMMUNITY FUTURES EAST CENTRAL

Notes to Financial Statements

Year Ended March 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Community Futures East Central (the "organization") is a not-for-profit organization incorporated provincially under the Not-for-profit Corporations Act of Alberta. Management has determined that they are exempt from payment of income tax under Section 149(1) of the Income Tax Act.

With the financial support of the Government of Canada, it provides loans and financial services to small businesses otherwise unable to obtain financing, delivers government services and programs related to employment and economic development, provides training and business advisory services, and contributes leadership and expertise in economic development to local communities.

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO).

Fund accounting

Community Futures East Central follows the restricted fund method of accounting for contributions.

The General Fund accounts for the organization's operating costs, operating grants and general revenues. Project funding is reported as revenue and the related project costs are included in various categories of expense. Cash balances in excess of those required to fund loans approved are retained in the general fund for efficient investment in short term securities. Net transfers of cash appear as inter-fund transfers and the accumulated balance is reflected as inter-fund receivables and payables.

The Capital Asset Fund reports the assets, liabilities, revenues and expenses related to organization's acquisition of capital assets.

The Loan Investment Funds report restricted resources that are to be used for assistance to small businesses and entrepreneurs in the form of loans, loan guarantees or equity participation. Loans from the Loan Investment Fund for the Disabled 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 Government of Canada.

Recognition of Contributions

The organization follows the deferral method in accounting for contributions. Unrestricted contributions are recognized as revenue when received or receivable if the amount received can be reasonably estimated and collection is reasonably assured. Restricted contributions related to expenses of future periods are deferred and recognized as revenue in the period in which the related expenses are incurred.

Recognition of Other Revenues

Revenue from all other sources is included in revenue in the year in which it is received or becomes receivable.

Contributed services

The organization would not be able to carry out its activities without the services of the many volunteers who donate a considerable number of hours. Because of the difficulty of compiling these hours, contributed services are not recognized in the financial statements.

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COMMUNITY FUTURES EAST CENTRAL
Notes to Financial Statements
Year Ended March 31, 2015

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Cash and cash equivalents

Cash and cash equivalents consist of balances with banks and short-term investments with maturities not exceeding 90 days.

Investment Loans and Accrued Interest Receivable

Investment loans receivable are classified as held to maturity financial instruments and are recorded at the lower of principal plus accrued interest and estimated realizable value.

Interest income from loans is recorded on the accrual basis for all loans not classified as impaired. Loans are classified as impaired when there is reasonable doubt as to the timely collection of some portion of principal or interest. This assessment is made by management and the Board of Directors.

When a loan is classified as impaired, recognition of interest income in accordance with the original loan agreement ceases. Any subsequent payments received on an impaired loan are applied to reduce the recorded investment in the loan.

Allowance for Doubtful Loans

The organization maintains an allowance for doubtful loans that reduces the carrying value of loans to their estimated realizable amount. The allowance is increased by a provision for investment losses which is charged to income and reduced by write-offs, net of recoveries.

A specific allowance is established on an individual loan basis, to reduce the carrying book values to estimated realizable values. Estimated realizable values are determined by discounting the expected future cash flows at the effective interest rate inherent in the loans. When the amounts and timing of future cash flows cannot be reliably established, estimated realizable values are determined by reference to market prices for the loans of their underlying security.

Property, plant and equipment

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Equipment is amortized over their estimated useful lives on a declining balance basis at the following rates.

| | | |
|-----------------|-----|--------------------------|
| Building | 5% | declining balance method |
| Other equipment | 20% | declining balance method |

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

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COMMUNITY FUTURES EAST CENTRAL

Notes to Financial Statements

Year Ended March 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial Instruments Policy

Held for trading

The organization has classified the following financial assets and liabilities as held for trading: cash and short term investments. These instruments are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties.

Held for trading financial instruments are subsequently measured at their fair value. Gains and losses arising from changes in fair value are recognized immediately in net income.

Loans and receivables

The organization has classified the following financial assets as loans and receivables: trade accounts receivable and long term loans receivable. These assets are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties.

Loans and receivables are subsequently measured at their amortized cost, using the effective interest method. Under this method, estimated future cash receipts are exactly discounted over the asset's expected life, or other appropriate method, to its net carrying value. Amortized cost is the amount at which the financial asset is measured at initial recognition less principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount, and less any reduction for impairment or uncollectibility. Gains or losses arising from changes in fair value are recognized in net income from derecognition or impairment.

Other financial liabilities

The organization has classified the following financial liabilities as other financial liabilities: accounts payable and accruals. These liabilities are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Under this method, estimated future cash payments are exactly discounted over the liability's expected life, or other appropriate period, to its net carry value. Amortized cost is the amount at which the financial liability is measured at initial recognition less principal repayments, and plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount. Gains and losses arising from the changes in fair value are recognized in net income upon derecognition or impairment.

2. CASH

| | <u>2015</u> | <u>2014</u> |
|---------------------|-------------------|-------------------|
| Cash | \$ 675,273 | \$ 588,553 |
| Funds held in trust | - | 74,367 |
| | <u>\$ 675,273</u> | <u>\$ 662,920</u> |

COMMUNITY FUTURES EAST CENTRAL

Notes to Financial Statements

Year Ended March 31, 2015

3. PROPERTY, PLANT AND EQUIPMENT

| | Cost | Accumulated amortization | 2015 Net book value | 2014 Net book value |
|--------------------|-------------------|-----------------------------|---------------------------|---------------------------|
| Building and land | \$ 334,015 | \$ 112,713 | \$ 221,302 | \$ 232,596 |
| Computer equipment | 114,868 | 100,773 | 14,095 | 15,574 |
| Computer software | 44,464 | 41,385 | 3,079 | 3,849 |
| Office equipment | 147,876 | 141,511 | 6,365 | 7,956 |
| Library | 6,440 | 6,366 | 74 | 92 |
| | <u>\$ 647,663</u> | <u>\$ 402,748</u> | <u>\$ 244,915</u> | <u>\$ 260,067</u> |

4. INVESTMENT LOANS RECEIVABLE

Loan Investment Funds

| | Non-repayable | Repayable | Disabled | 2015 | 2014 |
|--|-------------------|---------------------|-----------------|---------------------|---------------------|
| Loan Receivable | \$ 920,208 | \$ 2,156,211 | \$ 22,527 | \$ 3,098,946 | \$ 2,545,175 |
| Less: allowance for loan impairment | - | (58,474) | (10,568) | (69,042) | (53,600) |
| Plus: accrued fees | 1,920 | 16,781 | 1,052 | 19,753 | - |
| Less: current portion | (138,052) | (297,368) | (10,528) | (445,948) | (397,332) |
| | <u>\$ 784,076</u> | <u>\$ 1,817,150</u> | <u>\$ 2,483</u> | <u>\$ 2,603,709</u> | <u>\$ 2,094,243</u> |

ALLOWANCE FOR LOAN IMPAIRMENT:

An allowance for impairment 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:

| | | | | | |
|--|-------------|--------------------|--------------------|--------------------|--------------------|
| Balance, beginning of year | \$ - | \$ (44,007) | \$ (9,593) | \$ (53,600) | \$ (132,713) |
| Amounts written off to the allowance | - | (14,467) | (975) | (15,442) | (44,007) |
| Amounts recovered from the allowance | - | - | - | - | 123,120 |
| Balance at end of year | <u>\$ -</u> | <u>\$ (58,474)</u> | <u>\$ (10,568)</u> | <u>\$ (69,042)</u> | <u>\$ (53,600)</u> |

In accordance with the organization's objectives, the organization has provided loans to small businesses. Outstanding loans to entrepreneurs are interest bearing at fixed rates varying from 6.0% to 8.5% per annum with monthly blended principal and interest repayments amortized for terms between 12 and 60 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 property.

COMMUNITY FUTURES EAST CENTRAL

Notes to Financial Statements

Year Ended March 31, 2015

5. DEFERRED REVENUE

Deferred revenues represent the amount of the restricted contributions that are related to disbursements of future periods. During the year, the corporation received funds for the Rural Alberta Business Centre "RABC" from the Government of Alberta. These funds are disbursed in accordance with the signed grant agreement.

| | <u>2015</u> | <u>2014</u> |
|--|-----------------|------------------|
| RABC grant - Province of Alberta | \$ 5,628 | \$ 63,319 |
| Western Diversification federal contribution | - | 32,882 |
| | <u>\$ 5,628</u> | <u>\$ 96,201</u> |

6. CALLABLE BANK LOAN

Callable bank loan related to construction of the office building and is authorized to a maximum of \$300,000. The bank loan bears interest at the bank prime rate plus 0.85% per annum and is payable in weekly payments of \$475 principle and interest combined.

7. CALLABLE CFNA LOAN

The corporation has obtained a callable loan which is authorized to a limit of \$1,000,000. The loan bears interest at the bank prime rate and is secured by a first charge on the loan portfolio of the corporation. Interest is payable monthly with the principal balance due November, 2018.

8. SHARE CAPITAL

Authorized:
50 shares

| | <u>2015</u> | <u>2014</u> |
|----------------------|--------------|--------------|
| Issued: 38 shares | <u>\$ 38</u> | <u>\$ 38</u> |

No more than 38 shares may be outstanding at any one time. No dividends are payable on these shares.

COMMUNITY FUTURES EAST CENTRAL

Notes to Financial Statements

Year Ended March 31, 2015

9. EXTERNALLY RESTRICTED NET ASSETS

Loan funds contributed by the government are classified as repayable, non-repayable and disabled according to the nature of the restrictions placed on their use and the term of the program for which they were advanced. Externally imposed restrictions on loan investment fund balances are as follows:

| | 2015 | 2014 |
|---------------|---------------------|---------------------|
| Non-repayable | \$ 765,457 | \$ 708,174 |
| Repayable | 1,838,086 | 1,719,842 |
| Disabled | 124,579 | 121,818 |
| | <u>\$ 2,728,122</u> | <u>\$ 2,549,834</u> |

Under the terms and conditions of the contribution agreement with the Department of Western Economic Diversification, loan investment funds include Conditionally Repayable Funds in the amount of \$950,000 that are repayable if any of the following conditions occur:

- a) The Conditionally Repayable Investment fund is not administered according to the terms and conditions specified in the Agreement; or
- b) Based on review and evaluations of the operations and the Conditionally Repayable Investment Fund of the 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
- c) 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
- d) The Agreement is terminated as described in Section 12 of the Agreement; or
- e) An event of default occurs as described in Section 7 of the Agreement; or
- f) The Minister does not approve terms and conditions to extend the project beyond March 31, 2015.
- g) If this agreement is not renewed beyond the March 31, 2015 ending date, the outstanding loans receivable would be liquidated in an orderly fashion over a period of 3 to 5 years. Minimal staff would be kept on to oversee this process and operational costs would have to be covered by the interest earned by the loans as the Department of Western Economic Diversification would no longer fund operational costs. No new loans receivable would be granted and no other projects would be initiated.

10. ECONOMIC DEPENDENCE

The organization receives a significant portion of its operating revenues from the Federal and Provincial governments and is economically dependent upon them.

11. FINANCIAL INSTRUMENTS

The organization is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the organization's risk exposure and concentration as of March 31, 2015.

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COMMUNITY FUTURES EAST CENTRAL

Notes to Financial Statements

Year Ended March 31, 2015

11. FINANCIAL INSTRUMENTS *(continued)*

Credit risk

The organization is exposed to credit risk on investment loans receivable from its applicants. In order to reduce its risk, the organization has adopted credit policies and all loans are approved by the Board of Directors. The organization also provides for doubtful accounts based on estimated realizable value of the investment loans receivable.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The organization is exposed to this risk mainly in respect of its receipt of funds from its customers and other related sources, long-term debt, obligations under capital leases, contributions to the pension plan, and accounts payable.

The organization is exposed to this risk mainly in respect of its receipt of funds from its loan clients and other related sources, short-term debt and accounts payable.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the organization manages exposure through its normal operating and financing activities. The organization is exposed to interest rate risk primarily through its floating interest rate on short-term debt.

Changes in risk

There have been no changes in the organization's risk exposures from the prior year.