

COMMUNITY FUTURES EAST CENTRAL ALBERTA

FINANCIAL STATEMENT

March 31, 2016

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JOHN M. BEALE, CPA, CMA
CHARTERED PROFESSIONAL ACCOUNTANT
CERTIFIED MANAGEMENT ACCOUNTANT

BOX 659
TWO HILLS, ALBERTA
TOB 4K0

(780) 657 - 2492
FAX (780) 657-3492

INDEPENDENT AUDITOR'S REPORT

To The Board of Directors
COMMUNITY FUTURES EAST CENTRAL ALBERTA

I have audited the accompanying financial statements of COMMUNITY FUTURES EAST CENTRAL ALBERTA, which comprise the statement of financial position as at March 31, 2016 and the statements of operations and fund position and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated 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.

Auditors' Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 on 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of COMMUNITY FUTURES EAST CENTRAL ALBERTA as at March 31, 2016, the results of its operations and fund position and its cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.



John M. Beale, CPA, CMA

Two Hills, Alberta
July 26, 2016

COMMUNITY FUTURES EAST CENTRAL ALBERTA

STATEMENT OF FINANCIAL POSITION

March 31, 2016

ASSETS

	General Fund	Business Centre	Capital Assets	LOAN INVESTMENT FUNDS Non-Repayable	Repayable	Disabled	2016 TOTAL	2015 TOTAL
<u>CURRENT ASSETS</u>								
Cash	\$ 78,665	\$ 51,890	\$ -	\$ 228,078	\$ 526,492	\$ 125,707	\$ 1,010,832	\$ 675,273
Accounts Receivable (Note 3)	27,369	958	-	-	-	-	28,327	1,648
Interest Receivable (Note 4)	-	-	-	2,562	35,705	519	38,786	19,754
Inter Fund Receivable (Note 5)	-	29,652	-	21,692	-	4,094	55,438	37,945
Prepaid Expenses	5,898	2,104	-	-	-	-	8,002	4,331
Total Current Assets	111,932	84,604	-	252,332	562,197	130,320	1,141,385	738,951
<u>CAPITAL ASSETS</u> (Note 6)								
	-	-	237,801	-	-	-	237,801	244,915
<u>OTHER ASSETS</u> (Note 7)								
Investment Loans Receivable	-	-	-	819,440	2,443,993	-	3,263,433	3,029,903
	\$ 111,932	\$ 84,604	\$ 237,801	\$ 1,071,772	\$ 3,006,190	\$ 130,320	\$ 4,642,619	\$ 4,013,769

COMMUNITY FUTURES EAST CENTRAL ALBERTA

STATEMENT OF FINANCIAL POSITION

March 31, 2016

LIABILITIES and FUND BALANCES

	General Fund	Business Centre	Capital Assets	LOAN INVESTMENT FUNDS		Disabled	2016 TOTAL	2015 TOTAL
				Non-Repayable	Repayable			
Accounts Payable (Note 9)	\$ 13,629	\$ -	\$ -	\$ -	\$ -	-	\$ 13,629	\$ 4,710
Inter Fund Payable (Note 5)	142	-	-	-	55,296	-	55,438	37,945
Deferred Revenue (Note 10)	-	37,500	-	-	-	-	37,500	5,628
Callable Bank Loan (Note 11)	-	-	122,583	-	-	-	122,583	142,893
Loans Payable (Note 12)	-	-	-	271,614	1,022,722	3,823	1,296,159	896,372
Total Current Liabilities	13,771	37,500	122,583	271,614	1,078,018	3,823	1,527,309	1,089,548

NET ASSETS

Invested in Capital Assets	-	-	115,218	-	-	-	115,218	102,022
Share Capital (Note 13)	38	-	-	-	-	-	38	38
Externally Restricted (Note 14)	-	-	-	800,158	1,928,172	126,497	2,854,827	2,728,123
Unrestricted	98,123	47,104	-	-	-	-	145,227	94,038
	98,161	47,104	115,218	800,158	1,928,172	126,497	3,115,310	2,924,221
Total	\$ 111,932	\$ 84,604	\$ 237,801	\$ 1,071,772	\$ 3,006,190	\$ 130,320	\$ 4,642,619	\$ 4,013,769

APPROVED ON BEHALF OF THE BOARD:


 Director
 Director

STATEMENT OF GENERAL FUND REVENUE and EXPENSES

Year Ended March 31, 2016

	<u>Budget</u> <u>(unaudited)</u>	<u>General</u> <u>Fund</u>	<u>Capital</u> <u>Assets</u>	<u>2016</u> <u>TOTAL</u>	<u>2015</u> <u>TOTAL</u>
Revenue					
Federal Contracts	\$ 294,963	\$ 319,088	\$ -	\$ 319,088	\$ 294,963
Provincial Contracts	-	-	-	-	-
Projects and Other	85,920	13,753	-	13,753	4,318
Loan Fees and Cost Recoveries	-	25,146	-	25,146	14,439
Interest	-	961	-	961	969
	<u>380,883</u>	<u>358,948</u>	<u>-</u>	<u>358,948</u>	<u>314,689</u>
Expenses					
Advertising and Promotion	4,600	4,449	-	4,449	8,555
Amortization	-	-	14,711	14,711	16,230
Bank Charges and Interest	900	1,093	-	1,093	596
Insurance	4,500	4,496	-	4,496	4,610
Interest on Long Term Debt	7,500	-	4,779	4,779	5,789
GST not Recoverable	2,400	1,355	-	1,355	1,439
Office Supplies and Postage	16,330	18,778	-	18,778	33,174
Professional Development	6,600	5,970	-	5,970	3,374
Professional Fees	10,000	12,706	-	12,706	9,748
Projects	8,000	-	-	-	-
Property Taxes	6,100	6,202	-	6,202	6,047
Rent	-	-	-	-	1,730
Repair and Maintenance	3,600	1,716	-	1,716	5,788
Salaries and Wages	184,835	120,583	-	120,583	85,947
Sub-Contract	54,000	54,000	-	54,000	54,000
Telephone, Utilities and Internet	20,340	17,342	-	17,342	18,914
Travel	37,121	32,547	-	32,547	33,688
	<u>366,826</u>	<u>281,237</u>	<u>19,490</u>	<u>300,727</u>	<u>289,629</u>
Transfers					
Inter-Fund Transfers	-	(36,359)	33,426	(2,933)	6,000
Excess (Deficiency) of					
Revenue over Expenses	14,057	41,352	13,936	55,288	31,060
Fund Balance - Beginning of Year	-	56,771	98,321	155,092	143,888
Fund Balance - End of Year		\$ 98,123	\$ 112,257	\$ 210,380	\$ 174,948

STATEMENT OF RURAL ALBERTA BUSINESS CENTRE FUNDS REVENUE and EXPENSES

Year Ended March 31, 2016

	<u>Business Centre</u>	<u>Capital Assets</u>	<u>2016 TOTAL</u>	<u>2015 TOTAL</u>
<u>Revenue</u>				
Federal Contracts	\$ -	\$ -	\$ -	\$ -
Provincial Contracts	118,128	-	118,128	77,691
Projects and Other	12,591	-	12,591	3,980
Interest	554	-	554	334
	<u>131,273</u>	<u>-</u>	<u>131,273</u>	<u>82,005</u>
<u>Expenses</u>				
Advertising and Promotion	2,028	-	2,028	2,084
Amortization	-	740	740	739
Bank Charges and Interest	137	-	137	-
Insurance	588	-	588	586
GST not Recoverable	749	-	749	209
Office Supplies and Postage	41,647	-	41,647	8,522
Professional Fees	3,600	-	3,600	3,575
Repair and Maintenance	420	-	420	1,335
Salaries and Wages	63,376	-	63,376	41,658
Telephone, Utilities and Internet	1,464	-	1,464	769
Travel	7,427	-	7,427	1,413
	<u>121,436</u>	<u>740</u>	<u>122,176</u>	<u>60,890</u>
<u>Transfers</u>				
Inter-Fund Transfers	-	-	-	-
Excess (Deficiency) of Revenue over Expenses	9,837	(740)	9,097	21,115
Fund Balance - Beginning of Year	37,267	3,701	40,968	19,853
Fund Balance - End of Year	\$ 47,104	\$ 2,961	\$ 50,065	\$ 40,968

STATEMENT OF LOAN INVESTMENT FUNDS REVENUE and EXPENSES

Year Ended March 31, 2016

	Non - Repayable	Repayable	Disabled	2016 TOTAL	2015 TOTAL
<u>Revenue</u>					
Investment Interest	\$ 71,875	\$ 196,652	\$ 1,364	\$ 269,891	\$ 218,829
Bank Interest	816	1,339	642	2,797	3,588
Loan Fees and Cost Recoveries	-	-	-	-	200
	<u>72,691</u>	<u>197,991</u>	<u>2,006</u>	<u>272,688</u>	<u>222,617</u>
<u>Expenses</u>					
Provision (recovery) for investment losses	32,560	84,306	-	116,866	15,441
Interest on CFNA loan	6,259	23,569	88	29,916	22,085
Fees & Costs	2,104	30	-	2,134	802
	<u>40,923</u>	<u>107,905</u>	<u>88</u>	<u>148,916</u>	<u>38,328</u>
<u>Transfers</u>					
Inter-Fund Transfers	2,933	-	-	2,933	(6,000)
Excess (Deficiency) of					
Revenue over Expenses	34,701	90,086	1,918	126,705	178,289
Fund Balance - Beginning of Year	<u>765,457</u>	<u>1,838,086</u>	<u>124,579</u>	<u>2,728,122</u>	<u>2,549,834</u>
Fund Balance - End of Year	<u>\$ 800,158</u>	<u>\$ 1,928,172</u>	<u>\$ 126,497</u>	<u>\$ 2,854,827</u>	<u>\$ 2,728,123</u>

COMMUNITY FUTURES EAST CENTRAL ALBERTA

STATEMENT OF CASH FLOW

Year ended MARCH 31, 2016

	General Fund	Business Centre	Capital Assets	LOAN INVESTMENT FUNDS		Disabled	2016 TOTAL	2015 TOTAL
				Non-Repayable	Repayable			
Operating Activities								
Excess of Revenue over Expenses	\$ 41,352	\$ 9,837	\$ 13,196	\$ 34,701	\$ 90,086	\$ 1,918	\$ 191,090	\$ 230,460
Items not affecting cash:								
- Amortization	-	-	15,451	-	-	-	15,451	16,969
	41,352	9,837	28,647	34,701	90,086	1,918	206,541	247,429
Changes in Non-Cash Working Capital								
- Accounts Receivable	(25,931)	(750)	-	-	-	-	(26,681)	990
- Interest Receivable	-	-	-	(643)	(18,924)	(442)	(20,009)	-
- Interfund Receivable / Payable	(25,147)	-	-	(34,349)	59,837	(341)	-	-
- Prepaid Expenses	(2,124)	(1,547)	-	-	-	-	(3,671)	(158)
- Accounts Payable	8,923	-	-	-	-	-	8,923	276
- Deferred Revenue	-	31,872	-	-	-	-	31,872	(90,573)
	(44,279)	29,575	-	(34,992)	40,913	(783)	(9,566)	(89,465)
Investing Activities								
Purchase of Property, Plant and Equipment	-	-	(8,337)	-	-	-	(8,337)	(1,817)
Repayment of Loans and Notes Receivable	-	-	-	423,133	603,357	12,933	1,039,423	813,276
Additions to Loans and notes Receivable	-	-	-	(354,925)	(1,033,919)	-	(1,388,844)	(1,371,159)
Loan Loss provision	-	-	-	32,560	84,306	-	116,866	-
	-	-	(8,337)	100,768	(346,256)	12,933	(240,892)	(559,700)
Financing Activities								
Proceeds from Callable Debt	-	-	-	-	400,000	-	400,000	435,358
Repayment of Callable Debt	-	-	(20,310)	-	(214)	-	(20,524)	(21,269)
	-	-	(20,310)	-	399,786	-	379,476	414,089
Net Increase (Decrease) in Cash	(2,927)	39,412	-	100,477	184,529	14,068	335,559	12,353
CASH, Beginning of Year	81,592	12,478	-	127,601	341,963	111,639	675,273	662,920
Change in Interfund Transfers	-	-	-	-	-	-	-	-
CASH, End of Year	\$ 78,665	\$ 51,890	\$ -	\$ 228,078	\$ 526,492	\$ 125,707	\$ 1,010,832	\$ 675,273

COMMUNITY FUTURES EAST CENTRAL ALBERTANOTES TO FINANCIAL STATEMENTSMarch 31, 2016

1. STATUS AND PURPOSE OF THE ORGANIZATION

The COMMUNITY FUTURES EAST CENTRAL ALBERTA is a community based organization that provides loans and financial services to small businesses that are otherwise unable to obtain financing. The organization is incorporated under the Alberta Companies Act as a non-profit organization. It is exempt from income taxes under the Income Tax Act as a non-profit organization.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

(a) FUND ACCOUNTING

The COMMUNITY FUTURES EAST CENTRAL ALBERTA follows the restricted method of accounting for contributions.

The General Fund accounts for the organization's operating costs and general revenues. This fund reports unrestricted resources and restricted operating grants.

The Rural Alberta Business Centre Fund accounts for the organization's business centre activities. This fund reports unrestricted resources and restricted operating grants.

The capital Asset Fund reports the assets, liabilities, revenues and expenses related to the 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. The organization is restricted in the types of loans that can be made according to its agreement with the federal government.

(b) REVENUE RECOGNITION

The organization uses the restricted method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contribution are recognized as revenue when they are received or receivable if the amount to be received can be reasonably estimate and collection is reasonable assured.

(c) CAPITAL ASSETS

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

Building	5%
Other Assets	20%

COMMUNITY FUTURES EAST CENTRAL ALBERTANOTES TO FINANCIAL STATEMENTSMarch 31, 2016

(d) CASH AND CASH EQUIVALENTS

The organizations policy is to present bank balances and term deposits with a maturity period of three months or less from the date of acquisition under cash and cash equivalents.

(e) INVESTMENT LOANS AND ACCRUED INTEREST RECEIVABLE

Investment loans are classified as held to maturity financial instruments and are recorded at the lower of principle 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 the principle or interest. This assessment is made by management and the Board of Directors.

(f) MEASUREMENT UNCERTAINTY

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from these estimates.

(g) FINANCIAL INSTRUMENTS

The organization initially measures its financial assets and financial liabilities at fair value. It subsequently measures all its financial assets and financial liabilities at amortized cost. Changes in the fair value are recognized in the statement of operations.

The financial assets subsequently measured at amortized cost include cash, and accounts receivable. The financial liabilities measured at amortize cost include trade accounts payable and accrued liabilities.

3. ACCOUNTS RECEIVABLE

	<u>2016</u>	<u>2015</u>
General trade receivable	\$ 26,085	\$ -
Receivable from federal government	<u>2,242</u>	<u>1,648</u>
	<u>\$ 28,327</u>	<u>\$ 1,648</u>

4. INTEREST RECEIVABLE

	<u>2016</u>	<u>2015</u>
Loan Interest and costs receivable	\$ 39,761	\$ 19,754
Allowance for doubtful accounts	<u>975</u>	<u>-</u>
	<u>\$ 38,786</u>	<u>\$ 19,754</u>

COMMUNITY FUTURES EAST CENTRAL ALBERTA
NOTES TO FINANCIAL STATEMENTS
March 31, 2016

5. INTERFUND RECEIVABLE / PAYABLE

The Funds are maintained in interest bearing bank savings accounts. The interfund receivable, payable, and transfers are the amounts that are required to reimburse the other Funds for receipts and disbursements made on their behalf.

6. CAPITAL ASSETS

			March 2016	March 2015
	<u>COST</u>	<u>ACCUMULATED AMORTIZATION</u>	<u>NET BOOK VALUE</u>	<u>NET BOOK VALUE</u>
Land and Building	\$ 334,015	\$ 123,441	\$ 210,574	\$ 221,302
Office Equipment	156,213	142,784	13,429	6,365
Computer Equipment	114,868	103,592	11,276	14,095
Software	44,464	42,001	2,463	3,079
Library	<u>6,440</u>	<u>6,381</u>	<u>59</u>	<u>74</u>
	<u>\$ 656,000</u>	<u>\$ 418,199</u>	<u>\$ 237,801</u>	<u>\$ 244,915</u>

7. INVESTMENT LOANS RECEIVABLE

Outstanding loans to entrepreneurs are interest bearing at floating rates with blended principle and interest repayments. Security is taken on these loans as appropriate to the situation and includes personal guarantees, general security agreements covering business assets and mortgages on land and buildings.

8. ALLOWANCE FOR CREDIT LOSS

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

	2015	Provision	Actual	2016
	<u>Ending</u>	<u>for Credit</u>	<u>Write</u>	<u>Ending</u>
	<u>Balance</u>	<u>Losses</u>	<u>Offs</u>	<u>Balance</u>
Loan Investment Fund -General	\$ -	\$ 32,560	\$ -	\$ 32,560
Loan Investment Fund -Repayable	58,474	84,306	-	142,780
Loan Investment Fund -Disabled	<u>10,568</u>	<u>-</u>	<u>-</u>	<u>10,568</u>
	<u>\$ 69,042</u>	<u>\$ 116,866</u>	<u>\$ -</u>	<u>\$ 185,908</u>

Actual write-offs, net of recoveries, will be deducted from the allowance for credit losses. The provision for credit losses in the statement of income and changes in fund balances is charged with an amount sufficient to keep the balance in the allowance for credit losses adequate to absorb all credit related losses.

9. ACCOUNTS PAYABLE

	2016	2015
Trade accounts payable	\$ 8,919	\$ -
Accrued Vacation Pay	<u>4,710</u>	<u>4,710</u>
	<u>\$ 13,629</u>	<u>\$ 4,710</u>

COMMUNITY FUTURES EAST CENTRAL ALBERTANOTES TO FINANCIAL STATEMENTSMarch 31, 2016

10. DEFERRED REVENUE

Deferred revenue represents the amount of the restricted contributions that are related to disbursements of future periods. During the year, the organization received funds for the Rural Alberta Business Centre from the Government of Alberta. These funds are disbursed in accordance with the signed agreement.

	<u>2016</u>	<u>2015</u>
Province of Alberta	\$ <u>37,500</u>	\$ <u>5,628</u>

11. CALLABLE BANK LOAN

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

12. LOANS PAYABLE

The line of credit from CFNA is a demand loan requiring monthly payments of interest only. Interest is at prime rate (currently 2.70%) and is secured by a first charge on the loan portfolio.

13. SHARE CAPITAL

Authorized: 50 Shares

Issued: 38 Shares

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

14. EXTERNALLY RESTRICTED NET ASSETS

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

	<u>2016</u>	<u>2015</u>
<u>Loan Investment Funds</u>		
- Non-Repayable	\$ 800,158	\$ 765,457
- Conditionally Repayable Fund	1,928,172	1,838,087
- Conditionally Repayable Disabled Fund	<u>126,497</u>	<u>124,579</u>
	\$ <u>2,854,827</u>	\$ <u>2,728,123</u>

COMMUNITY FUTURES EAST CENTRAL ALBERTANOTES TO FINANCIAL STATEMENTSMarch 31, 2016

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:

- The Conditionally Repayable Investment Fund is not administered according to the terms and conditions specified in the Agreement; or
- Based on review and evaluation of the operations and the Conditionally Repayable Investment Funds of the Organization, the Conditionally Repayable Investment Fund is not providing 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
- In the opinion of the Minister, the Conditionally Repayable Fund is no longer necessary or relevant to the development of the western Canadian economy; or
- The Agreement is terminated as described in Section 12 of the agreement; or
- An event of default occurs, as described in Section 7 of the agreement; or
- The Minister does not approve terms and conditions to extend the Project beyond the Completion Date or the Corporation does not agree to extend the Project beyond the Completion Date of March 31, 2018.

15. FINANCIAL INSTRUMENTS

Risks and concentrations

The organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the Company's risk exposure and concentrations at March 31, 2016

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The association's main interest rate risk involves the loans receivable and loans payable.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The organization's main credit risk relate to its interest receivable and loans receivable. 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.

COMMUNITY FUTURES EAST CENTRAL ALBERTA
NOTES TO FINANCIAL STATEMENTS
March 31, 2016

16. ECONOMIC DEPENDENCE

The organization receives a significant portion of its operating revenues from federal, provincial and municipal governments and is economically dependent upon them.

17. COMPARATIVE FIGURES

Comparative figures have been adjusted to reflect current reporting format. Prior year amounts were audited by a different Chartered Accounting firm.