

**COMMUNITY FUTURES
EAST CENTRAL ALBERTA
Financial Statements
Year Ended March 31, 2019**

COMMUNITY FUTURES EAST CENTRAL ALBERTA

Index to Financial Statements

Year Ended March 31, 2019

	Page
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	2 - 3
Statement of Revenues and Expenditures	4 - 5
Statement of Changes in Net Assets	6
Statement of Cash Flows	7
Notes to Financial Statements	8 - 13



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INDEPENDENT AUDITOR'S REPORT

To the Members of Community Futures East Central Alberta

We have audited the accompanying financial statements of Community Futures East Central Alberta, which comprise the statement of financial position as at March 31, 2019 and the statements of revenues and expenditures, 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Community Futures East Central Alberta as at March 31, 2019 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.

NCube & Landry LLP

Two Hills, AB
July 30, 2019

Chartered Professional Accountants

COMMUNITY FUTURES EAST CENTRAL ALBERTA
Statement of Financial Position
March 31, 2019

	General Fund	Business Centre	Capital Assets	Restricted Non-Repayable	Restricted Repayable	Restricted Disabled	2019	2018
ASSETS								
CURRENT								
Cash	\$ 24,115	\$ 17,774	\$ -	\$ 828,118	\$ 976,868	\$ 130,261	\$ 1,977,136	\$ 1,734,482
Accounts receivable (Note 2)	5,557	1,370	-	496	-	-	7,423	4,533
Interfund AR / AP (Note 3)	70,315	29,652	-	118,747	-	-	218,714	219,062
Interest receivable (Note 4)	-	-	-	6,767	122,527	2,584	131,878	65,064
Prepaid expenses	3,200	655	-	-	-	-	3,855	3,653
PROPERTY AND EQUIPMENT (Net) (Note 5)	103,187	49,451	-	954,128	1,099,395	132,845	2,339,006	2,026,794
LOANS AND NOTES RECEIVABLE (Note 6)	-	-	198,466	-	-	-	198,466	211,906
	-	-	-	217,423	2,333,335	4,432	2,555,190	2,796,601
	<u>\$ 103,187</u>	<u>\$ 49,451</u>	<u>\$ 198,466</u>	<u>\$ 1,171,551</u>	<u>\$ 3,432,730</u>	<u>\$ 137,277</u>	<u>\$ 5,092,662</u>	<u>\$ 5,035,301</u>

COMMUNITY FUTURES EAST CENTRAL ALBERTA
Statement of Financial Position
March 31, 2019

	General Fund	Business Centre	Capital Assets	Restricted Non-Repayable	Restricted Repayable	Restricted Disabled	2019	2018
LIABILITIES AND NET ASSETS								
CURRENT								
Accounts payable (Note 7)	\$ 21,821	\$ 95	\$ -	\$ -	\$ -	\$ -	\$ 21,916	\$ 10,166
Inter fund payable (Note 3)	-	-	-	-	216,904	1,810	218,714	219,062
Deferred income (Note 8)	25,541	-	-	-	-	-	25,541	37,500
Callable bank loan (Note 9)	-	-	59,216	-	-	-	59,216	80,719
LONG TERM DEBT (Note 10)	47,362	95	59,216	-	216,904	1,810	325,387	347,447
	-	-	-	271,614	1,022,722	3,823	1,298,159	1,298,159
	47,362	95	59,216	271,614	1,239,626	5,633	1,623,546	1,645,606
NET ASSETS								
Share capital (Note 12)	38	-	-	-	-	-	38	38
Net assets	55,787	49,356	139,250	899,937	2,193,104	131,644	3,469,078	3,389,657
	55,825	49,356	139,250	899,937	2,193,104	131,644	3,469,116	3,389,695
	\$ 103,187	\$ 49,451	\$ 198,466	\$ 1,171,551	\$ 3,432,730	\$ 137,277	\$ 5,092,662	\$ 5,035,301

APPROVED ON BEHALF OF THE BOARD



Director



Director

COMMUNITY FUTURES EAST CENTRAL ALBERTA
Statement of Revenues and Expenditures
Year Ended March 31, 2019

	Budget	Actual	Business	Capital Assets	Restricted Non-	Restricted	Restricted	2019	2018
	General Fund	General Fund	Centre		Repayable	Repayable	Disabled		
REVENUES									
Federal contracts	\$ 294,963	\$ 294,963	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 294,963	\$ 272,779
Service and other income	105,128	47,487	45,125	-	25	-	-	47,512	60,479
Provincial funding	-	-	1,186	-	12,334	15,225	2,251	45,125	150,000
Interest income	-	-	4,947	-	-	-	-	30,996	15,293
Projects and other	-	-	-	-	25,100	203,405	-	4,947	1,622
Investment interest	-	-	-	-	-	-	-	228,505	249,180
	400,091	342,450	51,258	-	37,459	218,630	2,251	652,048	749,353
EXPENSES									
Salaries and wages	171,232	188,164	71,848	-	-	-	-	260,012	209,733
Management salaries	60,000	60,000	-	-	-	-	-	60,000	60,000
Travel	59,021	57,795	14,233	-	-	-	-	72,028	48,852
Telephone and utilities	26,940	26,419	1,834	-	-	-	-	28,253	21,239
Office supplies and postage	12,088	13,450	21,075	-	-	-	-	34,525	34,013
Professional development	11,600	11,619	5,679	-	-	-	-	17,298	3,731
Advertising and promotion	9,310	7,730	1,010	-	-	-	-	8,740	9,233
Property taxes	6,500	6,588	-	-	-	-	-	6,588	7,560
Professional fees	5,500	5,500	1,200	-	-	-	-	6,700	6,400
Insurance	4,800	3,837	668	-	-	-	-	4,505	4,638
Projects	3,500	2,971	-	-	-	-	-	2,971	-
Repairs and maintenance	3,200	2,440	130	-	-	-	-	2,570	3,768
Bank charges and interest	1,200	1,331	-	-	-	-	-	1,331	569
GST not recoverable	2,400	990	-	13,440	-	-	-	990	2,604
Amortization	-	-	-	3,197	-	-	-	13,440	14,985
Interest on bank loan	3,900	-	-	-	1,127	-	-	3,197	3,980
Interest on long term debt	-	-	-	-	-	-	-	1,127	2,239
Bad debts	-	-	-	-	-	-	-	(735)	179,324
CFLIP Interest	-	-	-	-	7,334	41,194	-	48,528	39,878
Client cost	-	-	-	-	-	559	-	559	13,469
	381,191	388,834	117,677	16,637	8,461	41,018	-	572,627	666,255

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COMMUNITY FUTURES EAST CENTRAL ALBERTA
Statement of Revenues and Expenditures (continued)
Year Ended March 31, 2019

	Budget General Fund	Actual General Fund	Business Centre	Capital Assets	Restricted Non- Repayable	Restricted Repayable	Restricted Disabled	2019	2018
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ 18,900	\$ (46,384)	\$ (66,419)	\$ (16,637)	\$ 28,998	\$ 177,612	\$ 2,251	\$ 79,421	\$ 83,098

COMMUNITY FUTURES EAST CENTRAL ALBERTA
Statement of Changes in Net Assets
Year Ended March 31, 2019

	Operating Fund	Business Centre	Capital Assets	Restricted Non-Repayable	Restricted Repayable	Restricted Disabled	2019	2018
NET ASSETS - BEGINNING OF YEAR	\$ 126,871	\$ 115,775	\$ 131,187	\$ 870,939	\$ 2,015,492	\$ 129,393	\$ 3,389,657	\$ 3,306,559
Excess of revenues over expenses	(46,384)	(66,419)	(16,637)	28,998	177,612	2,251	79,421	83,098
Fund transfer	(24,700)	-	24,700	-	-	-	-	-
NET ASSETS - END OF YEAR	<u>\$ 55,787</u>	<u>\$ 49,356</u>	<u>\$ 139,250</u>	<u>\$ 899,937</u>	<u>\$ 2,193,104</u>	<u>\$ 131,644</u>	<u>\$ 3,469,078</u>	<u>\$ 3,389,657</u>

COMMUNITY FUTURES EAST CENTRAL ALBERTA
Statement of Cash Flows
Year Ended March 31, 2019

	General Fund	Business Centre	Capital Assets	Restricted Non-Repayable	Restricted Repayable	Restricted Disabled	2019	2018
OPERATING ACTIVITIES								
Excess (deficiency) of revenues	\$ (46,384)	\$ (66,419)	\$ (16,637)	\$ 28,998	\$ 177,612	\$ 2,251	\$ 79,421	\$ 83,098
Item not affecting cash:								
Amortization of property and equipment	-	-	13,440	-	-	-	-	14,985
	(46,384)	(66,419)	(3,197)	28,998	177,612	2,251	79,421	98,083
Changes in non-cash working capital:								
Accounts receivable	(1,617)	(777)	-	(496)	-	-	(2,890)	1,433
Interest receivable	-	-	-	(4,521)	(62,292)	-	(66,813)	16,826
Accounts payable	11,654	95	-	-	-	-	11,749	208
Deferred income	25,541	(37,500)	-	-	-	-	(11,959)	-
Prepaid expenses	(202)	-	-	-	-	-	(202)	-
Interfund receivable / payable	(9,624)	-	-	6,782	(2,158)	5,000	-	(925)
	25,752	(38,182)	-	1,765	(64,450)	5,000	(70,115)	17,542
Cash flow from operating activities	(20,632)	(104,601)	(3,197)	30,763	113,162	7,251	22,746	115,625
INVESTING ACTIVITIES								
Loan loss provision	-	-	-	98,081	147,762	(4,432)	241,411	(23,271)
Repayment of loans and notes receivable	-	-	-	-	147,762	(4,432)	241,411	431,445
Cash flow from (used by) investing activities	-	-	-	98,081	147,762	(4,432)	241,411	408,174
FINANCING ACTIVITIES								
Callible bank loan	(24,700)	-	(21,503)	-	-	-	(21,503)	(21,146)
Approved fund transfer	-	-	24,700	-	-	-	-	-
Cash flow from (used by) financing activities	(24,700)	-	3,197	-	-	-	(21,503)	(21,146)
INCREASE (DECREASE) IN CASH FLOW	(45,332)	(104,601)	-	128,844	260,924	2,819	242,654	502,653
Cash - beginning of year	69,447	122,375	-	699,274	715,944	127,442	1,734,481	1,231,828
CASH - END OF YEAR	\$ 24,115	\$ 17,774	\$ -	\$ 828,118	\$ 976,868	\$ 130,261	\$ 1,977,136	\$ 1,734,481

COMMUNITY FUTURES EAST CENTRAL ALBERTA

Notes to Financial Statements

Year Ended March 31, 2019

INTRODUCTION TO NOTES

The Community Futures East Central Alberta ("the organization") 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO) and, in management's opinion, with consideration of materiality and within the framework of the following accounting policies:

Fund accounting

The organization 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.

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.

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.

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COMMUNITY FUTURES EAST CENTRAL ALBERTA

Notes to Financial Statements

Year Ended March 31, 2019

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

Property and equipment

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

Buildings	5%	declining balance method
Library	20%	declining balance method
Computer equipment	20%	declining balance method
Computer software	20%	declining balance method
Furniture and fixtures	20%	declining balance method

The organization regularly reviews its property and equipment to eliminate obsolete items. Government grants are treated as a reduction of property and equipment cost.

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.

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.

Financial instruments policy

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 amortized cost include trade accounts payable and accrued liabilities.

2. ACCOUNTS RECEIVABLE

	<u>2019</u>	<u>2018</u>
General trade receivable	\$ 2,456	\$ 1,960
Receivable from federal government	4,967	2,573
	<u>\$ 7,423</u>	<u>\$ 4,533</u>

COMMUNITY FUTURES EAST CENTRAL ALBERTA**Notes to Financial Statements****Year Ended March 31, 2019****3. INTERFUND RECEIVABLE / PAYABLE**

The interfund receivable and payable are the amounts that are required to reimburse the other Funds for receipts and disbursements made on their behalf. These internally restricted amounts are not available for any other purpose without the approval of the board of directors. Interfund amounts bear no interest and are not governed by term of repayment in the year.

4. INTEREST RECEIVABLE

	<u>2019</u>	<u>2018</u>
Loan Interest and costs receivable	\$ 164,316	\$ 97,502
Allowance for doubtful accounts	(32,438)	(32,438)
	<u>\$ 131,878</u>	<u>\$ 65,064</u>

5. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Buildings	\$ 334,015	\$ 152,515	\$ 181,500	\$ 190,698
Library	6,440	6,410	30	38
Computer equipment	114,218	111,322	2,896	5,096
Computer software	50,368	43,203	7,165	7,480
Furniture and fixtures	152,548	146,486	6,062	7,578
Furniture and Equipment	3,665	2,852	813	1,017
	<u>\$ 661,254</u>	<u>\$ 462,788</u>	<u>\$ 198,466</u>	<u>\$ 211,907</u>

6. 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.

7. ACCOUNTS PAYABLE

	<u>2019</u>	<u>2018</u>
Trade accounts payable	\$ 16,908	\$ 5,250
Accrued Vacation Pay	4,913	4,916
	<u>\$ 21,821</u>	<u>\$ 10,166</u>

COMMUNITY FUTURES EAST CENTRAL ALBERTA

Notes to Financial Statements

Year Ended March 31, 2019

13. 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>2019</u>	<u>2018</u>
Loan Investment Funds		
Non-repayable	\$ 899,937	\$ 870,939
Conditionally repayable fund	2,193,104	2,015,492
Conditionally repayable disabled fund	131,644	129,393
	<u>\$ 3,224,685</u>	<u>\$ 3,015,824</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:

1. The Conditionally Repayable Investment Fund is not administered according to the terms and conditions specified in the Agreement; or
 2. 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
 3. 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
 4. The Agreement is terminated as described in Section 12 of the agreement; or
 5. An event of default occurs, as described in Section 7 of the agreement; or
 6. 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, 2019.
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COMMUNITY FUTURES EAST CENTRAL ALBERTA

Notes to Financial Statements

Year Ended March 31, 2019

14. 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, 2018.

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.

15. ECONOMIC DEPENDENCE

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