COMMUNITY FUTURES EAST CENTRAL ALBERTA

FINANCIAL STATEMENTS

MARCH 31, 2014

COMMUNITY FUTURES EAST CENTRAL ALBERTA

CONTENTS

Carlson
Roberts
Seely LLP
Chartered Accountants

P.O. Box 6927
5508 Jubilee Avenue
Drayton Valley, AB
Canada T7A 1S3

Phone: (780) 542-4468
Fax: (780) 542-5275
Toll Free: (888) 542-4468
Email: office@crsllp.ca

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
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, 2014, and the statements of income and changes in fund balances and statement of cash flow 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 generally accepted accounting principles, 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, 2014 and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Carlson Roberts Seely LLP.

Drayton Valley, Alberta
May 27, 2014

CHARTERED ACCOUNTANTS

COMMUNITY FUTURES EAST CENTRAL ALBERTA
Statement of Financial Position
March 31, 2014

	General Fund	Loan Investment Funds: Non - repayable	Loan Investment Funds: Repayable	Loan Investment Funds: Disabled	**March 31, 2014 Total**	March 31, 2013 Total
ASSETS						
CURRENT						
Cash and term deposits (Note 2)	$ 139,747	$ 209,197	$ 225,766	$ 88,210	**$ 662,920**	$ 607,309
GST and accounts receivable	2,638	-	-	-	**2,638**	2,208
Prepaid expenses	4,173	-	-	-	**4,173**	3,216
Current portion of investment loans receivable (Note 4)	-	97,524	283,955	15,853	**397,332**	301,880
	146,558	306,721	509,721	104,063	**1,067,063**	914,613
PROPERTY AND EQUIPMENT (Note 3)	260,067	-	-	-	**260,067**	264,341
INVESTMENT LOANS RECEIVABLE (Note 4)	-	698,042	1,378,958	17,243	**2,094,243**	1,763,478
	$ 406,625	$ 1,004,763	$ 1,888,679	$ 121,306	**$ 3,421,373**	$ 2,942,432

COMMUNITY FUTURES EAST CENTRAL ALBERTA
Statement of Financial Position (cont'd)
March 31, 2014

	General Fund	Loan Investment Funds Non - repayable	Loan Investment Funds Repayable	Loan Investment Funds Disabled	March 31, 2014 Total	March 31, 2013 Total
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Accounts payable and accrued liabilities	4,235	-	-	-	**4,235**	4,557
Deferred revenues (Note 5)	96,201	-	-	-	**96,201**	83,086
Callable bank loan (Note 6)	161,804	-	-	-	**161,804**	179,936
Callable CFNA loan (Note 7)	-	148,595	310,597	6,181	**465,373**	215,373
Interfund accounts	459	113,994	(107,760)	(6,693)	**-**	-
	262,699	262,589	202,837	(512)	**727,613**	482,952
NET ASSETS						
Share capital (Note 8)	38	-	-	-	**38**	38
Invested in capital assets	98,263	-	-	-	**98,263**	84,405
Externally restricted (Note 9)	-	742,174	1,685,842	121,818	**2,549,834**	2,337,913
Unrestricted	45,625	-	-	-	**45,625**	37,104
	143,926	742,174	1,685,842	121,818	**2,693,760**	2,459,460
	$ 406,625	$ 1,004,763	$ 1,888,679	$ 121,306	**$ 3,421,373**	$ 2,942,412

ON BEHALF OF THE BOARD

_______________ *Director* _______________ *Director*

The accompanying notes are an integral part of this statement

COMMUNITY FUTURES EAST CENTRAL ALBERTA
Statement of Income and Changes in General Fund Balance
Year Ended March 31, 2014

	General	Capital Asset	2014	2013
REVENUE				
Federal contracts	$ 294,963	$ -	$ **294,963**	$ 294,963
Grant - Government of Alberta	95,187	-	**95,187**	99,992
Projects and other	7,287	-	**7,287**	12,382
Loan fees and cost recoveries	13,843	-	**13,843**	10,070
Bank Interest	944	-	**944**	1,706
	412,224	-	**412,224**	419,113
EXPENSES				
Advertising and promotion	16,917	-	**16,917**	12,053
Amortization	-	17,147	**17,147**	17,366
Bank charges and interest	1,212	-	**1,212**	1,051
Insurance	5,236	-	**5,236**	2,528
Interest - bank loans	-	6,568	**6,568**	7,271
Non-recoverable GST	2,638	-	**2,638**	2,195
Office supplies and postage	35,778	-	**35,778**	29,287
Professional development	6,101	-	**6,101**	3,285
Professional fees	26,072	-	**26,072**	42,612
Projects	-	-	**-**	-
Property taxes	5,930	-	**5,930**	5,689
Rent	5,833	-	**5,833**	4,812
Repairs and maintenance	5,264	-	**5,264**	11,816
Salaries and benefits	188,931	-	**188,931**	243,634
Subcontract	48,000	-	**48,000**	4,000
Telephone, utilities, and internet	18,014	-	**18,014**	17,390
Travel and subsistence	34,204	-	**34,204**	23,342
	400,130	23,715	**423,845**	428,331
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	12,094	(23,715)	**(11,621)**	(9,218)
ISSUANCE OF SHARES	-	-	**-**	-
NET ASSETS, BEGINNING OF YEAR	37,142	84,405	**121,547**	105,765
INTERFUND TRANSFER	(3,573)	37,573	**34,000**	25,000
NET ASSETS, END OF YEAR	$ 45,663	$ 98,263	$ **143,926**	$ 121,547

The accompanying notes are an integral part of this statement

COMMUNITY FUTURES EAST CENTRAL ALBERTA
Statement of Income and Changes in Restricted Fund Balance
Year Ended March 31, 2014

	Loan Investment Funds				
	Non - repayable	Repayable	Disabled	2014 Total	2013 Total
REVENUE					
Bank interest	$ 1,532	$ 9,302	$ 334	**$ 11,168**	$ 1,993
Investment interest	51,121	106,056	4,034	**161,211**	167,092
Loan fees and cost recoveries	-	81,350	162	**81,512**	22,467
	52,653	196,708	4,530	**253,891**	191,552
EXPENSES					
Provision (recovery) for investment losses	-	-	-	**-**	2,276
Interest on CFNA loan	-	5,124	-	**5,124**	2,955
Professional fees	-	2,846	-	**2,846**	1,359
	-	7,970	-	**7,970**	6,590
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	52,653	188,738	4,530	**245,921**	184,962
INTERFUND TRANSFER	-	(34,000)	-	**(34,000)**	(25,000)
NET ASSETS, BEGINNING OF YEAR	689,521	1,531,104	117,288	**2,337,913**	2,177,951
NET ASSETS, END OF YEAR	$ 742,174	$ 1,685,842	$ 121,818	**$ 2,549,834**	$ 2,337,913

The accompanying notes are an integral part of this statement

COMMUNITY FUTURES EAST CENTRAL ALBERTA
Statement of Cash Flow
Year Ended March 31, 2014

	General Fund	Loan Investment Funds: Non - repayable	Loan Investment Funds: Repayable	Loan Investment Funds: Disabled	2014 Total	2013 Total
SOURCES OF CASH						
Government funding	$ 403,265	$ -	$ -	$ -	**$ 403,265**	$ 442,043
Investment income	944	52,653	117,757	4,368	**175,722**	173,491
Loan repayments	-	203,850	838,592	22,031	**1,064,473**	619,908
Proceeds from callable loans	-	76,145	174,015	-	**250,160**	-
Projects and other	7,287	-	-	-	**7,287**	12,382
Loan fees and cost recoveries	13,843	-	-	-	**13,843**	10,070
	425,339	332,648	1,130,364	26,399	**1,914,750**	1,257,894
USES OF CASH						
Salaries and benefits	188,931	-	-	-	**188,931**	243,634
Materials and services	211,717	-	2,846	-	**214,563**	164,158
Repayment of callable loans	18,132	-	-	160	**18,292**	167,429
Interest and portfolio expenses	7,780	-	5,124	-	**12,904**	11,277
Capital asset purchases	12,872	-	-	-	**12,872**	899
Investment loan advances	-	260,000	1,151,577	-	**1,411,577**	497,000
	439,432	260,000	1,159,547	160	**1,859,139**	1,084,397
NET INCREASE (DECREASE) IN CASH	(14,093)	72,648	(29,183)	26,239	**55,611**	173,497
CASH, BEGINNING	122,331	95,422	327,828	61,728	**607,309**	433,812
INTERFUND TRANSFER	31,509	41,127	(72,879)	243	**-**	-
CASH, ENDING	$ 139,747	$ 209,197	$ 225,766	$ 88,210	**$ 662,920**	$ 607,309

The accompanying notes are an integral part of this statement.

1. SIGNIFICANT ACCOUNTING POLICIES

The Corporation is a community-based non-profit organization incorporated under the Alberta Corporations Act as a non-profit organization and accordingly is exempt from income taxes under 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 and include the following significant accounting policies:

Fund Accounting

The Corporation follows the restricted fund method of accounting.

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

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

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 Corporation 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 Corporation 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.

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.

1. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Allowance for Doubtful Loans

The corporation 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 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 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 those estimates.

Financial Instruments

Held for trading

The Corporation 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 Corporation 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.

1. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Other financial liabilities

The Corporation 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

Cash is comprised of:

	2014 Total	2013 Total
Cash	$ 588,553	$ 456,168
Funds held in trust	74,367	-
Term deposits	-	151,141
	$ 662,920	$ 607,309

3. PROPERTY AND EQUIPMENT

The major categories of property and equipment and accumulated amortization are as follows:

	Cost	Accumulated Amortization	NBV 2014	NBV 2013
Building	$ 327,288	$ (101,419)	$ 225,869	$ 237,756
Library	6,440	(6,348)	92	115
Office equipment	147,876	(139,920)	7,956	9,360
Computer hardware	113,051	(97,477)	15,574	7,855
Computer software	44,464	(40,615)	3,849	2,528
	639,119	(385,779)	253,340	257,614
Land	6,727	-	6,727	6,727
	$ 645,846	$ (385,779)	$ 260,067	$ 264,341

4. INVESTMENT LOANS RECEIVABLE

	Loan Investment Funds Non - repayable	Repayable	Disabled	2014 Total	2013 Total
Loans receivable	$ 795,566	$ 1,706,920	$ 42,689	**$ 2,545,175**	$ 2,198,071
Less: allowance for loan impairment	-	(44,007)	(9,593)	**(53,600)**	(132,713)
Less: current portion	(97,524)	(283,955)	(15,853)	**(397,332)**	(301,880)
	$ 698,042	**$ 1,378,958**	**$ 17,243**	**$ 2,094,243**	$ 1,763,478

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:

ALLOWANCE FOR LOAN IMPAIRMENT:

	Non - repayable	Repayable	Disabled	2014 Total	2013 Total
Balance beginning of year	$ -	$ (122,958)	$ (9,755)	**$ (132,713)**	$ (150,203)
Provision for loan losses	-	-	-	**-**	(2,277)
Amounts written off to the allowance	-	(44,007)	-	**(44,007)**	-
Amounts recovered from the allowance	-	122,958	162	**123,120**	19,767
Balance end of year	**$ -**	**$ (44,007)**	**$ (9,593)**	**$ (53,600)**	$ (132,713)
Total recorded investment on impaired loans		**$ 44,007**	**$ 9,593**	**$ 53,600**	$ 132,713

In accordance with the Corporation's objectives, the Corporation 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.

5. DEFERRED REVENUES

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. The corporation also received an advance payment during the year from Western Diversification for its federal contract contribution pertaining to the 2015 fiscal year.

	2014 Total	2013 Total
RABC grant - province of Alberta	**$ 63,319**	$ 58,506
Western Diversification federal contribution	**32,882**	24,580
	$ 96,201	$ 83,086

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 $600,000. 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

The authorized and issued share capital is as follows:

	2014	2013
Authorized - 50 Shares		
Issued - 38 (2013 - 38) shares	$ 38	$ 38

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

9. EXTERNALLY RESTRICTED NET ASSETS

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 $1,131,740 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 this Agreement; or

b) Based on review and evaluations of the operations and the Conditionally Repayable Investment Fund of the Corporation, 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. LEASE COMMITMENT

The company is committed to the rental of office equipment under a lease agreement which expires June 2014. The minimum annual rent payable is $4,428.

11. ECONOMIC DEPENDENCE

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

12. FINANCIAL INSTRUMENTS

The company 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 company's risk exposure and concentration as of March 31, 2014.

Credit risk
The corporation is exposed to credit risk on investment loans receivable from its applicants. In order to reduce its risk, the corporation has adopted credit policies and all loans are approved by the Board of Directors. The corporation 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 company 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 company manages exposure through its normal operating and financing activities. The company is exposed to interest rate risk primarily through its floating interest rate on short-term debt.