

COMMUNITY FUTURES EAST CENTRAL ALBERTA
Financial Statements
Year Ended March 31, 2018

COMMUNITY FUTURES EAST CENTRAL ALBERTA
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Year Ended March 31, 2018

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**NCUBE &
LANDRY LLP**

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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, 2018 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, 2018 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 25, 2018

Chartered Professional Accountants

COMMUNITY FUTURES EAST CENTRAL ALBERTA

Statement of Financial Position

March 31, 2018

	General Fund	Business Centre	Capital Assets	Restricted Non-Repayable	Restricted Repayable	Restricted Disabled	2018	2017
ASSETS								
CURRENT								
Cash	\$ 69,447	\$ 122,375	\$ -	\$ 699,274	\$ 715,944	\$ 127,442	\$ 1,734,482	\$ 1,231,828
Accounts receivable (Note 2)	3,940	593	-	-	-	-	4,533	5,966
Interfund AR / AP	60,690	29,652	-	125,530	-	3,190	219,062	194,033
Interest receivable (Note 3)	-	-	-	2,245	60,235	2,584	65,064	81,891
Prepaid expenses	2,998	655	-	-	-	-	3,653	2,728
	137,075	153,275	-	827,049	776,179	133,216	2,026,794	1,516,446
PROPERTY AND EQUIPMENT (Net) (Note 5)	-	-	211,906	-	-	-	211,906	226,891
LOANS AND NOTES RECEIVABLE	-	-	-	315,504	2,481,097	-	2,796,601	3,204,773
	\$ 137,075	\$ 153,275	\$ 211,906	\$ 1,142,553	\$ 3,257,276	\$ 133,216	\$ 5,035,301	\$ 4,948,110


COMMUNITY FUTURES EAST CENTRAL ALBERTA

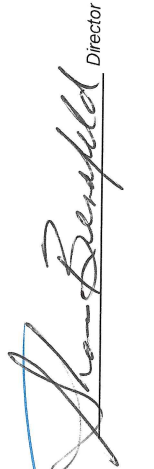
Statement of Financial Position

March 31, 2018

	General Fund	Business Centre	Capital Assets	Restricted Non-Repayable	Restricted Repayable	Restricted Disabled	2018	2017
LIABILITIES AND NET ASSETS								
CURRENT								
Accounts payable	\$ 10,166	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,166	\$ 9,956
Inter fund payable	-	-	-	-	219,062	-	219,062	194,033
Callable bank loan	-	-	80,719	-	-	-	80,719	101,865
Deferred income	-	37,500	-	-	-	-	37,500	37,500
	10,166	37,500	80,719	-	219,062	-	347,447	343,354
	-	-	-	271,614	1,022,722	3,823	1,298,159	1,298,159
	10,166	37,500	80,719	271,614	1,241,784	3,823	1,645,606	1,641,513
LONG TERM DEBT								
	38	-	-	-	-	-	38	38
	126,871	115,775	131,187	870,939	2,015,492	129,393	3,389,657	3,306,559
	126,909	115,775	131,187	870,939	2,015,492	129,393	3,389,695	3,306,597
	\$ 137,075	\$ 153,275	\$ 211,906	\$ 1,142,553	\$ 3,257,276	\$ 133,216	\$ 5,035,301	\$ 4,948,110
NET ASSETS								
Share capital (Note 12)								
Net assets								

APPROVED ON BEHALF OF THE BOARD

 Director

 Director

COMMUNITY FUTURES EAST CENTRAL ALBERTA

Statement of Revenues and Expenditures

Year Ended March 31, 2018

	Budget General Fund	Actual General Fund	Business Centre	Capital Assets	Restricted Non- Repayable	Restricted Repayable	Restricted Disabled	2018	2017
REVENUES									
Federal contracts	\$ 294,963	\$ 272,779	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 272,779	\$ 293,579
Service and other income	52,190	60,329	-	-	150	-	-	60,479	63,452
Provincial funding	-	-	150,000	-	-	-	-	150,000	150,000
Interest income	-	-	1,579	-	5,812	6,798	1,104	15,293	6,203
Projects and other	-	-	1,622	-	-	-	-	1,622	7,647
Investment interest	-	-	-	-	32,023	217,157	-	249,180	284,502
	347,153	333,108	153,201	-	37,985	223,955	1,104	749,353	805,383
EXPENSES									
Salaries and wages	153,991	139,917	69,816	-	-	-	-	209,733	216,969
Management salaries	60,000	60,000	-	-	-	-	-	60,000	60,000
Travel	40,300	35,148	13,704	-	-	-	-	48,852	36,597
Telephone and utilities	21,540	19,510	1,729	-	-	-	-	21,239	19,756
Office supplies and postage	13,728	11,163	22,316	-	-	-	-	33,479	45,470
Property taxes	6,500	6,158	1,402	-	-	-	-	7,560	6,656
Professional fees	5,500	5,734	1,200	-	-	-	-	6,934	12,656
Advertising and promotion	5,010	5,148	4,085	-	-	-	-	9,233	5,539
Insurance	5,000	4,034	604	-	-	-	-	4,638	9,211
Repairs and maintenance	2,400	3,348	420	-	-	-	-	3,768	3,199
GST not recoverable	2,400	2,604	-	-	-	-	-	2,604	1,319
Professional development	2,000	1,031	2,700	-	-	-	-	3,731	6,323
Bank charges and interest	600	589	-	-	-	-	-	589	729
Projects	3,464	-	-	-	-	-	-	-	11,170
Amortization	-	-	-	14,985	-	-	-	14,985	16,163
Interest on bank loan	3,600	-	-	3,980	-	-	-	3,980	3,982
Interest on long term debt	-	-	-	-	2,239	-	-	2,239	1,375
Bad debts	-	-	-	-	2,374	176,950	-	179,324	122,000
CFLIP Interest	-	-	-	-	7,334	32,544	-	39,878	34,981
Client cost	-	-	-	-	-	13,489	-	13,489	-
	326,033	294,384	117,976	18,965	11,947	222,983	-	666,255	614,095

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COMMUNITY FUTURES EAST CENTRAL ALBERTA
Statement of Revenues and Expenditures (continued)
Year Ended March 31, 2018

	Budget General Fund	Actual General Fund	Business Centre	Capital Assets	Restricted Non- Repayable	Restricted Repayable	Restricted Disabled	2018	2017
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ 21,120	\$ 38,724	\$ 35,225	\$ (18,965)	\$ 26,038	\$ 972	\$ 1,104	\$ 83,098	\$ 191,288

COMMUNITY FUTURES EAST CENTRAL ALBERTA

Statement of Changes in Net Assets

Year Ended March 31, 2018

	Operating Fund	Business Centre	Capital Assets	Restricted Non- Repayable	Restricted Repayable	Restricted Disabled	2018	2017
NET ASSETS - BEGINNING OF YEAR								
Excess of revenues over expenses	\$ 113,273	\$ 80,550	\$ 125,026	\$ 844,901	\$ 2,014,520	\$ 128,289	\$ 3,306,559	\$ 3,115,271
Fund transfer	38,724	35,225	(18,965)	26,038	972	1,104	83,098	191,288
	(25,126)	-	25,126	-	-	-	-	-
NET ASSETS - END OF YEAR	\$ 126,871	\$ 115,775	\$ 131,187	\$ 870,939	\$ 2,015,492	\$ 129,393	\$ 3,389,657	\$ 3,306,559

COMMUNITY FUTURES EAST CENTRAL ALBERTA

Statement of Cash Flows

Year Ended March 31, 2018

	General Fund	Business Centre	Capital Assets	Restricted Non-Repayable	Restricted Repayable	Restricted Disabled	2018	2017
OPERATING ACTIVITIES								
Excess (deficiency) of revenues	\$ 38,724	\$ 35,225	\$ (18,965)	\$ 26,038	\$ 972	\$ 1,104	\$ 83,098	\$ 191,288
Item not affecting cash:								
Amortization of property and equipment	-	-	14,985	-	-	-	14,985	16,163
	38,724	35,225	(3,980)	26,038	972	1,104	98,083	207,451
Changes in non-cash working capital:								
Accounts receivable	624	809	-	-	-	-	1,433	22,361
Interest receivable	-	-	-	2,569	14,257	-	16,826	(54,676)
Accounts payable	208	-	-	-	-	-	208	(3,673)
Prepaid expenses	(873)	(52)	-	-	-	-	(925)	5,273
Interfund receivable / payable	(35,720)	-	-	10,692	25,028	-	-	-
	(35,761)	757	-	13,261	39,285	-	17,542	(30,715)
Cash flow from operating activities	2,963	35,982	(3,980)	39,299	40,257	1,104	115,625	176,736
INVESTING ACTIVITIES								
Purchase of property and equipment	-	-	-	-	-	-	-	(5,253)
Loan loss provision	-	-	-	-	(23,271)	-	(23,271)	122,000
Repayment of loans and notes receivable	-	-	-	269,656	161,789	-	431,445	(51,770)
Cash flow from investing activities	-	-	-	269,656	138,518	-	408,174	64,977
FINANCING ACTIVITIES								
Callable bank loan	-	-	(21,146)	-	-	-	(21,146)	(20,718)
Approved fund transfer	(25,126)	-	25,126	-	-	-	-	-
Cash flow from (used by) financing activities	(25,126)	-	3,980	-	-	-	(21,146)	(20,718)
INCREASE (DECREASE) IN CASH FLOW	(22,163)	35,982	-	308,955	178,775	1,104	502,653	220,995
Cash - beginning of year	91,610	86,393	-	390,319	537,169	126,338	1,231,828	1,010,833
CASH - END OF YEAR	\$ 69,447	\$ 122,375	\$ -	\$ 699,274	\$ 715,944	\$ 127,442	\$ 1,734,482	\$ 1,231,828

COMMUNITY FUTURES EAST CENTRAL ALBERTA

Notes to Financial Statements

Year Ended March 31, 2018

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 (ASNFP) 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, 2018

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

	2018	2017
General trade receivable	\$ 1,960	\$ 1,960
Receivable from federal government	2,573	4,006
	<u>\$ 4,533</u>	<u>\$ 5,966</u>

COMMUNITY FUTURES EAST CENTRAL ALBERTA

Notes to Financial Statements

Year Ended March 31, 2018

3. INTEREST RECEIVABLE

	2018	2017
Loan Interest and costs receivable	\$ 97,502	\$ 93,462
Allowance for doubtful accounts	(32,438)	(11,571)
	\$ 65,064	\$ 81,891

4. 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.

5. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Buildings	\$ 334,015	\$ 143,317	\$ 190,698	\$ 200,381
Library	6,440	6,402	38	47
Computer equipment	114,218	109,122	5,096	7,845
Computer software	50,368	42,888	7,480	7,875
Furniture and fixtures	152,548	144,970	7,578	9,472
Furniture and Equipment	3,665	2,649	1,016	1,271
	\$ 661,254	\$ 449,348	\$ 211,906	\$ 226,891

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.

COMMUNITY FUTURES EAST CENTRAL ALBERTA

Notes to Financial Statements

Year Ended March 31, 2018

7. 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:

	Opening balance	Provision for Credit losses	Actual write offs	Total Column
Non-repayable Investment loans	\$ 32,560	\$ 2,375	\$ -	\$ 34,935
Repayable investment loans	264,780	218,534	223,313	260,001
	<u>\$ 297,340</u>	<u>\$ 220,909</u>	<u>\$ 223,313</u>	<u>\$ 294,936</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.

8. ACCOUNTS PAYABLE

	2018	2017
Trade accounts payable	\$ 5,250	\$ 5,250
Accrued Vacation Pay	4,916	4,706
	<u>\$ 10,166</u>	<u>\$ 9,956</u>

9. 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. As at the statement of financial position date, deferred revenue balance was \$37,500 (2017: \$37,500).

10. 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.

11. 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.

12. SHARE CAPITAL

Authorized:
50 Shares

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COMMUNITY FUTURES EAST CENTRAL ALBERTA

Notes to Financial Statements

Year Ended March 31, 2018

12. SHARE CAPITAL *(continued)*

	2018	2017
Issued:		
Common shares	\$ 38	\$ 38

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

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:

	2018	2017
Loan Investment Funds		
Non-repayable	\$ 870,939	\$ 844,901
Conditionally repayable fund	2,015,492	2,014,520
Conditionally repayable disabled fund	129,393	128,289
	\$ 3,015,824	\$ 2,987,710

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, 2018.

COMMUNITY FUTURES EAST CENTRAL ALBERTA

Notes to Financial Statements

Year Ended March 31, 2018

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, 2017

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.
