



**Community Futures
Northwest Alberta
Financial Statements**

March 31, 2016



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Community Futures Northwest Alberta

Table of Contents

Year Ended March 31, 2016

	Page
Auditors' Report	1
Financial Statements	
Balance Sheet.....	2
Statement of Earnings and Changes in Unrestricted Net Assets.....	3
Statement of Earnings and Changes in Restricted Net Assets.....	4
Statement of Cash Flows.....	5
Notes to the Financial Statements	6-11

Auditors' Report

To the Board of Directors of
Community Futures Northwest Alberta

Report on the Financial Statements

We have audited the accompanying financial statements of Community Futures Northwest Alberta, which comprise the balance sheet as at March 31, 2016, and the statements of earnings and changes in unrestricted and internally restricted net assets, earnings and changes in restricted 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 consolidated 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 auditors' judgement, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 Northwest Alberta as at March 31, 2016, the results of its operations, change in unrestricted and restricted net assets and its cash flows for the year ended in accordance with Canadian accounting standards for not-for-profit organizations.

Peace River, Alberta
June 22, 2016

Chartered Professional Accountants

Community Futures Northwest Alberta

Balance Sheet

As at March 31, 2016

	<u>Loan Investment Funds</u>				2016	2015
	<i>General Fund</i>	<i>Repayable</i>	<i>Non-Repay</i>	<i>Disabled</i>		
Assets						
Current						
Cash in bank	248,965	66,524	678,244	50,678	1,044,411	505,323
Accounts receivable	4,236	4,566	81,433	295	90,530	94,769
Prepaid expenses	3,105	-	-	-	3,105	5,462
Assets held for resale	-	50,000	60,000	-	110,000	225,000
Current portion of loans (Note 5)	-	30,788	670,530	24,018	725,336	815,895
	256,306	151,878	1,490,207	74,991	1,973,382	1,646,449
Property and equipment (Note 3)	46,912	-	-	-	46,912	221,504
Investment loan receivable (Note 5)	-	92,363	2,011,588	72,053	2,176,004	2,447,683
Total assets	303,218	244,241	3,501,795	147,044	4,196,298	4,315,636
Liabilities and fund balances						
Current						
Bank indebtedness	-	-	-	-	-	-
Short-term debt (Note 7)	-	-	-	-	-	300,000
Accounts payable	61,011	-	224	-	61,235	54,025
Deferred revenue (Note 8)	29,333	-	-	-	29,333	47,276
Current portion of long-term debt (Note 9)	-	-	-	-	-	8,287
	90,344	-	224	-	90,568	409,588
Long-term debt (Note 9)	-	-	-	-	-	120,992
	90,344	-	224	-	90,568	530,580
Net Assets						
Invested in property and equipment (Note 10)	46,912	-	-	-	46,912	92,225
Externally restricted (Note 6)	-	244,241	3,501,571	147,044	3,892,856	3,678,678
Internally restricted (Note 14)	166,427	-	-	-	166,427	50,000
Unrestricted	(465)	-	-	-	(465)	(35,847)
	212,874	244,241	3,501,571	147,044	4,105,730	3,785,056
Total liabilities and fund balances	303,218	244,241	3,501,795	147,044	4,196,298	4,315,636

Approved on behalf of the Board

Director

Director

See accompanying notes to the financial statements

Community Futures Northwest Alberta
Statement of Earnings and Changes in Unrestricted Net Assets
Year Ended March 31, 2016

	2016	2015
Revenue		
WD contribution	319,963	319,963
Residence	-	3,252
Other	103,845	148,909
Gain on sale of property and equipment	54,614	-
	478,422	472,124
Operating expenses		
Accounting and audit	8,514	14,145
Advertising and promotion	8,226	8,281
Amortization	1,706	9,053
Bank charges	593	1,315
Board members expenses	6,083	5,193
Business development expenses	-	4,500
Wages and contract services	237,182	216,910
General manager - expenses	7,232	12,539
Insurance	6,735	8,112
Interest on long-term debt	2,467	5,322
Meeting and travel expenses	4,820	4,974
Office manager expenses	500	89
Office expenses	19,066	21,565
Property tax	1,352	2,470
Rent	30,000	30,000
Repairs and maintenance	7,878	8,048
Residence	3,203	5,883
Small equipment purchases	2,955	2,610
Special projects	-	79,651
Subscriptions and memberships	1,247	1,368
Telephone and facsimile	16,530	17,107
Utilities	5,637	6,577
	371,926	465,712
Net earnings for the year	106,496	6,412
Unrestricted net assets, beginning of year	(35,847)	6,577
Transfer (to) from internally restricted funds	(116,427)	(50,000)
Transfer (to) from investment in property and equipment	45,313	1,164
Unrestricted net assets, end of year	(465)	(35,847)

See accompanying notes to the financial statements

Community Futures Northwest Alberta
Statement of Earnings and Changes in Restricted Net Assets

Year Ended March 31, 2016

	<i>Loan Investment Funds</i>			2016	2015
	<i>Repayable</i>	<i>Non-Repay</i>	<i>Disabled</i>		
Revenue					
Interest on bank deposits	20	1,341	22	1,383	1,506
Interest on loans	19,940	281,715	9,960	311,615	299,002
Recovery of expenses	1,800	-	-	1,800	1,550
	21,760	283,056	9,982	314,798	302,058
Expenses					
Bad debts expense (recovery)	85,997	(8,404)	-	77,593	107,361
Bank charges and interest on debt	7,126	2,454	-	9,580	15,441
Client support	-	2,518	-	2,518	9,716
Collection costs	-	10,929	-	10,929	7,544
	93,123	7,497	-	100,620	140,062
Net earnings for the year	(71,363)	275,559	9,982	214,178	161,996
Interfund transfers	20,933	(20,901)	(32)	-	-
Transfers to operating fund	-	-	-	-	-
Earned fund balance, beginning of year	(130,329)	1,957,490	(62,906)	1,764,255	1,602,259
Earned fund balance, end of year	(180,759)	2,212,148	(52,956)	1,978,433	1,764,255
Original contributions	425,000	1,289,423	200,000	1,914,423	1,914,423
Total fund balance, end of year (Note 6)	244,241	3,501,571	147,044	3,892,856	3,678,678

See accompanying notes to the financial statements

Community Futures Northwest Alberta
Statement of Cash Flows

Year Ended March 31, 2016

	Operating Activities	Financing and Investing Activities			2016	2015
		Loan Investment Funds				
	General Fund	Repayable	Non-Repay	Disabled		
Sources of Cash						
WD Contribution	319,963	-	-	-	319,963	319,963
Investment income	-	39,730	265,938	10,240	315,908	291,794
Other revenue	87,231	1,800	-	-	89,031	156,537
Disposal of property and equipment	100,569	-	-	-	100,569	-
Inter-fund transfers	-	20,933	-	-	20,933	255,371
Transfer from restricted funds	-	-	-	-	-	-
Investment loan repayments	-	8,595	1,176,542	32,437	1,217,574	1,224,787
	507,763	71,058	1,442,480	42,677	2,063,978	2,248,452
Uses of Cash						
Contracted services and wages	237,182	-	-	-	237,182	216,912
Materials and services	122,794	7,126	16,577	-	146,497	294,820
Repayment of short-term debt	-	-	300,000	-	300,000	200,000
Purchase of property and equipment	-	-	-	-	-	-
Mortgage repayment	2,349	-	-	-	2,349	7,888
Investment loan advances	-	-	807,929	10,000	817,929	1,265,945
Transfer to operating fund	-	-	-	-	-	-
Inter-fund transfers	-	-	20,901	32	20,933	255,371
	362,325	7,126	1,145,407	10,032	1,524,890	2,240,936
Net increase (decrease) in cash	145,438	63,932	297,073	32,645	539,088	7,516
Cash, beginning of year	103,527	2,592	381,171	18,033	505,323	497,807
Cash, end of year	248,965	66,524	678,244	50,678	1,044,411	505,323
Cash consists of:						
Cash in bank	248,965	66,524	678,244	50,678	1,044,411	505,323

See accompanying notes to the financial statements

Community Futures Northwest Alberta

Notes to the Financial Statements

March 31, 2016

1. Purpose of the organization

Community Futures Northwest Alberta is a community-based organization that provides loans and financial services to small businesses that are otherwise unable to obtain financing. The corporation 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.

The Community Futures Northwest Alberta (CFNA) was incorporated under the Business Corporations Act of the Province of Alberta on December 19, 1988 and commenced operational procedures under the auspices of the Ministry of Employment and Immigration Canada as part of the program for Canadian Job Strategy on April 18, 1989. On November 1, 1994, Northwest Community Futures Business Development Corporation assumed the operations of Northwest Economic Initiative Committee, and changed their name to MacKenzie Economic Development Corporation. Effective April 1, 2007, its name changed to Community Futures Northwest Alberta.

2. Significant accounting policies

Revenue Recognition — Restricted Fund Method

Community Futures Northwest 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 Investment Fund reports 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 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 federal government.

Property and equipment

Property and equipment over \$2,500 are recorded at cost and are amortized over their estimated useful lives on a straight line basis as follows:

Furniture	5 years
Office equipment	5 years
Vehicles	6 years
Buildings	25 years

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term deposits with original maturities of three months or less.

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 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.

Accounts receivable and loans receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of Property and Equipment.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the periods in which they become known.

Community Futures Northwest Alberta

Notes to the Financial Statements

March 31, 2016

2. Significant accounting policies (continued)

Financial Instruments

Held for trading

The organization has classified the following financial assets as held for trading: cash and short term deposits. 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. Transactions to purchase or sell these items are recorded on the settlement date and transaction costs are immediately recognized in excess of revenues over expenses.

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 excess of revenues over expenses.

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. Transactions to purchase or sell these items are recorded on the settlement date and transaction costs are immediately recognized in excess of revenues over expenses.

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 that 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 excess of revenues over expenses upon derecognition or impairment.

Other financial liabilities

The organization has classified the following financial liabilities as other financial liabilities: trade accounts payable and long term debt. 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. Transactions to purchase or sell these items are recorded on the settlement date and transaction costs are immediately recognized in excess of revenues over expenses.

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 amount at which the financial liabilities expected life, or other appropriate period, to its net carrying 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 or any difference between that initial amount and the maturity amount. Gains and losses arising from changes in fair value are recognized in excess of revenues over expenses upon derecognition or impairment.

Long-lived assets and discontinued operations

Long-lived assets consist of property, plant and equipment with finite useful lives. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The organization performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying amount of an asset, or group of assets, may not be recoverable. The carrying amount of a long-lived asset is not recoverable if the carrying amount exceeds the sum of the undiscounted future cash flows from its use and disposal. If the carrying amount is not recoverable, impairment is then measured as the amount by which the asset's carrying amount exceeds its fair value. Fair value is measured using prices for similar items. Any impairment is included in earnings for the year.

Long-lived assets are classified as held for sale when all of the following criteria are met:

- The Board of Directors, having the authority to approve the action, commits the organization to a plan to sell the assets;
- The asset is available for immediate sale in its present condition;
- The organization has initiated an active program to locate a buyer;
- The sale is probable, and is expected to qualify for recognition as a completed sale within one year;
- The asset is being actively marketed for sale at a reasonable price relative to its fair value; and
- It is unlikely that the plan to sell the asset will be withdrawn or that significant changes will be made to the plan.

Long-lived assets classified as held for sale are initially measured at the lower of the carrying amount and fair value less costs to sell, and are not amortized. Subsequent increases in fair value not in excess of the cumulative loss previously recorded are recognized as gains.

Community Futures Northwest Alberta
Notes to the Financial Statements

March 31, 2016

3. Property and equipment

	<i>Accumulated</i>	2016	2015
	<i>Cost</i>	<i>Net</i>	<i>Net</i>
	<i>Depreciation</i>	Book Value	Book Value
Land	43,500	-	43,500
Furniture	9,976	9,976	-
Buildings	-	-	139,586
Office equipment	103,573	100,161	3,412
	157,049	110,137	46,912
			221,504

4. 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 loan portfolios, as determined by management, as follows:

	<i>2015</i>	<i>Written</i>	<i>Deemed</i>	<i>Provision</i>	2016
	<i>Ending</i>	<i>Off</i>	<i>Collectible/</i>	<i>for Credit</i>	Ending
	<i>Balance</i>	<i>Off</i>	<i>Collected</i>	<i>Losses</i>	Balance
Loan Investment Fund - Repayable	115,000	(65,000)	-	34,184	84,184
Loan Investment Fund - Non - Repayable	143,404	(58,404)	-	-	85,000
	258,404	(123,404)	-	34,184	169,184

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.

5. Loans receivable

Outstanding loans to entrepreneurs are interest bearing at fixed rates varying from 8.25% to 10% with monthly 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 land and building. This security is usually subordinated to those of a primary lender.

	<i>Repayable</i>	<i>Non-Repay</i>	<i>Disability</i>	2016	2015
				Total	Total
Investment loans receivable	207,335	2,767,118	96,071	3,070,524	3,521,982
Less: Allowance for credit loss	(84,184)	(85,000)	-	(169,184)	(258,404)
	123,151	2,682,118	96,071	2,901,340	3,263,578
Less: Current portion	(30,788)	(670,530)	(24,018)	(725,336)	(815,895)
	92,363	2,011,588	72,053	2,176,004	2,447,683

Community Futures Northwest Alberta
Notes to the Financial Statements

March 31, 2016

6. Externally Restricted Net Assets

	<i>Repayable</i>	<i>Non-Repay</i>	<i>Disabled</i>	<i>Total</i>
Balance, beginning of year	294,671	3,246,913	137,094	3,678,678
Net earnings	(71,363)	275,559	9,982	214,178
Inter-fund Transfers	20,933	(20,901)	(32)	-
Balance, end of year	244,241	3,501,571	147,044	3,892,856

Restricted net assets consist of:

Contributions	425,000	1,289,423	200,000	1,914,423
Accumulated earnings and transfers	(201,692)	2,233,049	(52,924)	1,978,433
Inter-fund Transfers	20,933	(20,901)	(32)	-
	244,241	3,501,571	147,044	3,892,856

Under the terms and conditions of the contribution agreement between the Corporation and the Department of Western Economic Diversification, the Conditionally Repayable Loan Funds are repayable if any of the following conditions occur:

- i. The Conditionally Repayable Investment Fund is not administered according to the terms and conditions specified in this Agreement; or
- ii. Based on reviews 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
- iii. 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
- iv. The Agreement is Terminated as described in Section 16; or
- v. An event of default occurs, as described in Section 17 of the Agreement

Community Futures Northwest Alberta Notes to the Financial Statements

March 31, 2016

7. Short-term line of credit

The organization holds a line of credit totalling \$1,750,000 of which \$nil was drawn as of March 31, 2016 (2015 – \$300,000). The interest rate included on the line of credit is fixed at prime at the date of initial draw down. Funds can be drawn in increments of \$50,000. The line of credit is payable on demand and in any case not later than sixty (60) months following the date of the first loan advance (the loan was first advanced in 2010). Amount is secured by a demand promissory note executed by the organization and related general security agreement securing all assets and undertakings of the borrower.

8. Deferred revenue

	2016	2015
Western Economic Diversification	29,333	-
RABC Funding	-	47,276
	29,333	47,276

9. Long term debt

	2016	2015
Repaid during the year	-	129,279
Less: current portion	-	8,287
	-	120,992

10. Investment in Property and Equipment

	2016	2015
Balance, beginning of year	92,225	93,390
Mortgage repayment	129,279	7,888
Disposal of property and equipment	(172,886)	-
Amortization of property and equipment	(1,706)	(9,053)
	46,912	92,225

Community Futures Northwest Alberta

Notes to the Financial Statements

March 31, 2016

11. Economic Dependence

The Corporation receives 68% (2015 - 62%) of its operating revenue from the federal government and is economically dependant upon it. The Organization's ability to continue viable operations is dependent upon maintaining its right to follow the criteria within the provincial government guidelines. As at the date of these financial statements the Organization believes that it is in compliance with the guidelines.

12. Financial instruments

The organization as part of its operations carries a number of financial instruments. It is management's opinion that the Organization is not exposed to significant interest rate, currency or credit risks arising from these financial instruments except as otherwise disclosed.

13. Commitments

As of March 31, 2016, the corporation had one loan that has been approved but not disbursed for \$45,000 (2015 – four loans for \$250,000).

14. Internally Restricted Net Assets

	2016	2015
Balance, beginning of year	50,000	-
Transfer from unrestricted surplus	116,427	50,000
Balance, end of year	166,427	50,000