

COMMUNITY FUTURES CAPITAL REGION

Financial Statements

Year Ended March 31, 2017

COMMUNITY FUTURES CAPITAL REGION

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Year Ended March 31, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Members of Community Futures Capital Region

We have audited the accompanying financial statements of Community Futures Capital Region, which comprise the statement of financial position as at March 31, 2017 and the statements of 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.

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Independent Auditor's Report to the Members of Community Futures Capital Region *(continued)*

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Community Futures Capital Region as at March 31, 2017 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.

Carlson Roberts Seely LLP.

Drayton Valley, Alberta
June 19, 2017

CHARTERED ACCOUNTANTS

COMMUNITY FUTURES CAPITAL REGION

Statement of Financial Position

March 31, 2017

	General Fund 2017	Restricted General 2017	Restricted Disabled 2017	Total 2017	Total 2016
ASSETS					
CURRENT					
Cash (Note 2)	\$ (102,043)	\$ 541,747	\$ 213,634	\$ 653,338	\$ 780,364
Accounts receivable (Note 3)	5,722	-	-	5,722	3,429
Accrued interest receivable (Note 4)	-	5,796	-	5,796	7,251
Prepaid expenses	5,334	-	-	5,334	3,806
Current portion of investment loans receivable (Note 6)	-	327,363	-	327,363	325,335
	(90,987)	874,906	213,634	997,553	1,120,185
PROPERTY AND EQUIPMENT (Net of accumulated amortization) (Note 5)	368,409	-	-	368,409	376,431
INVESTMENT LOANS RECEIVABLE (Note 6)	-	631,456	-	631,456	454,495
	\$ 277,422	\$ 1,506,362	\$ 213,634	\$ 1,997,418	\$ 1,951,111

See notes to financial statements

COMMUNITY FUTURES CAPITAL REGION

Statement of Financial Position

March 31, 2017

	General Fund 2017	Restricted General 2017	Restricted Disabled 2017	Total 2017	Total 2016
LIABILITIES AND NET ASSETS					
CURRENT					
Accounts payable	\$ 19,248	\$ -	\$ -	\$ 19,248	\$ 16,523
NET ASSETS (Note 8)	258,174	1,506,362	213,634	1,978,170	1,934,588
LIABILITIES AND NET ASSETS	\$ 277,422	\$ 1,506,362	\$ 213,634	\$ 1,997,418	\$ 1,951,111

ON BEHALF OF THE BOARD

 _____ Director

 _____ Director

See notes to financial statements

COMMUNITY FUTURES CAPITAL REGION
Statement of General Fund Revenues and Expenses

Year Ended March 31, 2017

	Total 2017	Total 2016
REVENUE		
Federal contracts	\$ 294,963	\$ 294,963
Loan fees and other	10,697	9,902
Community education program	7,000	-
Interest	596	5,415
	<u>313,256</u>	<u>310,280</u>
EXPENSES		
Salaries and benefits	199,135	168,049
Professional, accounting and audit	16,171	13,888
Utilities	10,161	10,866
Office	9,972	8,910
Advertising and promotion	8,222	9,195
Board member expenses	6,645	11,595
Travel	6,549	7,414
Community education program	6,115	1,370
Repairs and maintenance	5,239	6,873
Professional development	3,706	4,219
Property taxes	3,500	3,416
Insurance	2,419	2,400
GST not recovered	1,382	1,278
Bank charges and loan costs	895	2,907
Memberships and dues	820	577
Consultants	717	23,034
Publications	-	20
Amortization	13,625	13,166
	<u>295,273</u>	<u>289,177</u>
DEFICIENCY OF EXPENSES OVER REVENUE	<u>\$ 17,983</u>	<u>\$ 21,103</u>

COMMUNITY FUTURES CAPITAL REGION
Statement of Loan Investment Fund Revenues and Expenses

Year Ended March 31, 2017

	Restricted General 2017	Restricted Disabled 2017	Total 2017	Total 2016
REVENUE				
Investment interest	\$ 49,039	\$ -	\$ 49,039	\$ 70,825
Interest	4,247	1,038	5,285	-
	53,286	1,038	54,324	70,825
EXPENSES				
Provision for investment losses	28,725	-	28,725	18,960
INCOME FROM OPERATIONS	\$ 24,561	\$ 1,038	\$ 25,599	\$ 51,865

See notes to financial statements

COMMUNITY FUTURES CAPITAL REGION

Statement of Changes in Net Assets

Year Ended March 31, 2017

	General Fund 2017	Restricted General 2017	Restricted Disabled 2017	Total 2017	Total 2016
NET ASSETS - BEGINNING OF YEAR	\$ 240,191	\$ 1,481,801	\$ 212,596	\$ 1,934,588	\$ 1,861,620
Excess of revenue over expenses	17,983	24,561	1,038	43,582	72,968
NET ASSETS - END OF YEAR	\$ 258,174	\$ 1,506,362	\$ 213,634	\$ 1,978,170	\$ 1,934,588

Breakdown of Net Assets

Year Ended March 31, 2017

	General Fund 2017	Restricted General 2017	Restricted Disabled 2017	Total 2017	Total 2016
Original contributions	\$ -	\$ 1,187,500	\$ 200,000	\$ 1,387,500	\$ 1,387,500
Earned net assets	258,174	318,862	13,634	590,670	547,088
	\$ 258,174	\$ 1,506,362	\$ 213,634	\$ 1,978,170	\$ 1,934,588

COMMUNITY FUTURES CAPITAL REGION

Statement of Cash Flows

Year Ended March 31, 2017

	General Fund 2017	Restricted General 2017	Restricted Disabled 2017	Total 2017	Total 2016
OPERATING ACTIVITIES					
Excess of revenue over expenses	\$ 17,983	\$ 24,561	\$ 1,038	\$ 43,582	\$ 72,968
Items not affecting cash:					
Amortization of property, plant and equipment	13,625	-	-	13,625	13,166
Provision for investment losses	-	46,560	-	46,560	18,960
	<u>31,608</u>	<u>71,121</u>	<u>1,038</u>	<u>103,767</u>	<u>105,094</u>
Changes in non-cash working capital:					
Increase in accounts receivable	(2,293)	-	-	(2,293)	10,780
Decrease in accrued interest receivable	-	1,455	-	1,455	1,048
Increase in accounts payable	2,725	-	-	2,725	622
Increase in prepaid expenses	(1,528)	-	-	(1,528)	(3,100)
	<u>(1,096)</u>	<u>1,455</u>	<u>-</u>	<u>359</u>	<u>9,350</u>
Cash flow from operating activities	<u>30,512</u>	<u>72,576</u>	<u>1,038</u>	<u>104,126</u>	<u>114,444</u>
INVESTING ACTIVITIES					
Purchase of equipment	(5,603)	-	-	(5,603)	-
Repayment of loans and notes receivable	-	312,290	-	312,290	605,325
Addition to loans and notes receivable	-	(537,839)	-	(537,839)	(387,322)
Cash flow from (used by) investing activities	<u>(5,603)</u>	<u>(225,549)</u>	<u>-</u>	<u>(231,152)</u>	<u>218,003</u>
FINANCING ACTIVITY					
Repayment of mortgage payable	-	-	-	-	(49,162)
Cash flow from financing activity	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(49,162)</u>
INCREASE (DECREASE) IN CASH FLOW	24,909	(152,973)	1,038	(127,026)	283,285

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See notes to financial statements

COMMUNITY FUTURES CAPITAL REGION

Statement of Cash Flows (continued)

Year Ended March 31, 2017

	General Fund 2017	Restricted General 2017	Restricted Disabled 2017	Total 2017	Total 2016
Cash (deficiency) - beginning of year	(126,952)	694,720	212,596	780,364	497,079
CASH (DEFICIENCY) - END OF YEAR (Note 2)	\$ (102,043)	\$ 541,747	\$ 213,634	\$ 653,338	\$ 780,364

See notes to financial statements

COMMUNITY FUTURES CAPITAL REGION

Notes to Financial Statements

Year Ended March 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Community Futures Capital Region (the "organization") is a not-for-profit organization incorporated provincially under the Not-for-profit Corporations Act of Alberta. Management has determined that they are exempt from payment of income tax under Section 149(1) of 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 anadain accounting standards for not-for-profit organizations (ASNFPO).

Fund accounting

Community Futures Capital Region follows the restricted fund method of accounting for contributions.

The General Fund accounts for the organization's operating costs, operating grants and general revenues. Project funding is reported as revenue and the related project costs are included in various categories of expense. Cash balances in excess of those required to fund loans approved are retained in the general fund for efficient investment in short term securities. Net transfers of cash appear as inter-fund transfers and the accumulated balance is reflected as inter-fund receivables and payables.

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

Federal contracts and grants are included in revenue in the year in which they are received or become receivable, with the exception that amounts received to fund specific expenditures are included in revenue in the year the funds are expended.

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 operations of the organization depend on both the contribution of time by volunteers and donated materials from various sources. The fair value of donated materials and services cannot be reasonably determined and are therefore not reflected in these 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.

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COMMUNITY FUTURES CAPITAL REGION

Notes to Financial Statements

Year Ended March 31, 2017

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

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.

Allowance for Doubtful Loans

The Allowance for Doubtful Loans is calculated by management based on specific doubtful loans plus 3% (3% - 2016) of the rest of the portfolio.

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 and land	3%	declining balance method
Computer hardware	33%	declining balance method
Computer software	50%	declining balance method
Office furniture and fixtures	20%	declining balance method

Measurement uncertainty

The preparation of financial statements 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.

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COMMUNITY FUTURES CAPITAL REGION

Notes to Financial Statements

Year Ended March 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments Policy

Held for trading

The organization 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 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.

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.

Other financial liabilities

The organization 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

	<u>2017</u>	<u>2016</u>
Cash	\$ 653,338	\$ 780,364

COMMUNITY FUTURES CAPITAL REGION

Notes to Financial Statements

Year Ended March 31, 2017

3. ACCOUNTS RECEIVABLE

Accounts receivable is comprised of

	<u>2017</u>		<u>2016</u>
GST receivable	\$ 768	\$	-
Loan fees receivable	6,198		4,014
Less: provision for loan fees receivable	<u>(1,244)</u>		<u>(585)</u>
	<u>\$ 5,722</u>	\$	<u>3,429</u>

4. ACCRUED INTEREST RECEIVABLE

Loan Investment Funds

	Restricted General	Restricted Disabled	<u>2017</u>	<u>2016</u>
Interest in arrears	\$ 6,595	\$ -	\$ 6,595	\$ 8,884
Less: provision for interest in arrears	(799)	-	<u>(799)</u>	<u>(1,633)</u>
	<u>\$ 5,796</u>	<u>\$ -</u>	<u>\$ 5,796</u>	<u>\$ 7,251</u>

5. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2017 Net book value	2016 Net book value
Building and land	\$ 486,550	\$ 123,049	\$ 363,501	\$ 374,743
Computer hardware	56,396	51,488	4,908	1,688
Computer software	2,764	2,764	-	-
Office furniture and fixtures	44,477	44,477	-	-
	<u>\$ 590,187</u>	<u>\$ 221,778</u>	<u>\$ 368,409</u>	<u>\$ 376,431</u>

COMMUNITY FUTURES CAPITAL REGION

Notes to Financial Statements

Year Ended March 31, 2017

11. 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, 2017.

Credit risk

The organization is exposed to credit risk on investment loans receivable from its applicants. 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.

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 customers and other related sources, long-term debt, obligations under capital leases, contributions to the pension plan, and accounts payable.

The organization 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 organization manages exposure through its normal operating and financing activities. The organization is exposed to interest rate risk primarily through its floating interest rate on short-term debt.

Changes in risk

There have been no changes in the organization's risk exposures from the prior year.