

COMMUNITY FUTURES ELK ISLAND REGION

FINANCIAL STATEMENT

March 31, 2013

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**AUDITOR'S REPORT**

To The Board of Directors  
COMMUNITY FUTURES ELK ISLAND REGION.

I have audited the accompanying financial statements of COMMUNITY FUTURES ELK ISLAND REGION, which comprise the statement of financial position as at March 31, 2013 and the statements of operations and fund position and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Consolidated 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.

**Auditors's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Opinion**

In my opinion, the financial statements present fairly, in all material respects, the financial position of COMMUNITY FUTURES ELK ISLAND REGION as at March 31, 2013, the results of its operations and fund position and its cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

Two Hills, Alberta  
June 13, 2013

  
John M. Beale, CMA  
Certified Management Accountant

# COMMUNITY FUTURES ELK ISLAND REGION

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## STATEMENT OF FINANCIAL POSITION

March 31, 2013

### ASSETS

#### CURRENT ASSETS

	General Fund	Building Fund	LOAN INVESTMENT FUNDS		Disabled	2013 TOTAL	2012 TOTAL
			Non-Repayable	Repayable			
Cash	\$ 72,699	\$ 41,175	\$ 89,994	\$ 66,387	\$ 264,252	\$ 534,507	\$ 1,084,146
Accounts Receivable	3,543	-	-	-	-	3,543	4,104
Interest Receivable	-	-	147,904	17,385	-	165,289	160,214
Inter Fund Receivable	4,013	-	5	2	-	4,020	190
Prepaid Expenses	6,550	-	-	-	-	6,550	6,400
Total Current Assets	86,805	41,175	237,903	83,774	264,252	713,909	1,255,054

#### CAPITAL ASSETS (Note 3)

10,820 4,491 - - 15,311 20,051

#### OTHER ASSETS

Investment Loans Receivable	-	-	3,534,484	786,775	-	4,321,259	3,624,409
	\$ 97,625	\$ 45,666	\$ 3,772,387	\$ 870,549	\$ 264,252	\$ 5,050,479	\$ 4,899,514

# COMMUNITY FUTURES ELK ISLAND REGION

## STATEMENT OF FINANCIAL POSITION

March 31, 2013

### LIABILITIES and FUND BALANCES

	General Fund	Building Fund	LOAN INVESTMENT FUNDS		2013 TOTAL	2012 TOTAL
			Non-Repayable	Repayable		
<b><u>CURRENT LIABILITIES</u></b>						
Accounts Payable	\$ 8,635	\$ -	\$ 9,423	\$ -	\$ 18,058	\$ 26,130
Inter Fund Payable	-	-	4,020	-	4,020	190
Prepaid Revenue	26,293	-	-	\$ -	26,293	-
Loans Payable	-	-	750,000	-	750,000	750,000
Total Current Liabilities	34,928	-	763,443	-	798,371	776,320
<b><u>INVESTMENT FUNDS REPAYABLE</u></b>						
	-	-	-	619,838	824,766	803,898
<b><u>FUND BALANCES</u></b>						
Invested in Capital Assets	10,820	4,491	-	-	15,311	20,051
Externally Restricted	6,012	-	3,008,944	250,711	3,324,991	3,206,539
Unrestricted	45,865	41,175	-	-	87,040	92,706
	62,697	45,666	3,008,944	250,711	3,427,342	3,319,296
	\$ 97,625	\$ 45,666	\$ 3,772,387	\$ 870,549	\$ 5,050,479	\$ 4,899,514

APPROVED ON BEHALF OF THE BOARD:

 Director Chairman

 Director Sec-Treasurer

COMMUNITY FUTURES ELK ISLAND REGION  
STATEMENT OF INCOME AND CHANGES IN GENERAL FUND BALANCE  
OPERATING ACCOUNT

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	FOR THE YEAR ENDED March 31st		
	<u>2013</u>	<u>2013</u>	<u>2012</u>
	<u>ACTUAL</u>	<u>BUDGET</u>	<u>ACTUAL</u>
<u>REVENUE</u>			
Operating grants			
- Western Economic Diversification	\$ 294,963	\$ 294,963	\$ 294,963
- Special Programs	54,298	63,600	110,927
Loan Fees	17,972	21,560	19,862
Service & Miscellaneous Income	2,538	26,400	11,383
Interest Income	253	-	285
	<u>370,024</u>	<u>406,523</u>	<u>437,420</u>
<u>EXPENDITURES</u>			
Wages and Benefits (Note 9)	257,547	284,000	284,721
Office Supplies	20,547	22,572	10,728
Utilities	17,708	15,300	7,819
Rent	16,466	18,000	17,215
Travel and Subsistence - Staff	13,052	12,878	12,636
Licences, Memberships, Subscriptions	9,790	9,600	8,340
Travel and Subsistence - Directors	7,983	8,600	8,639
Telephone	6,658	7,200	6,410
Economic Development Promotion	6,627	5,500	-
Conference	4,764	5,000	5,730
Professional Fees	4,000	4,000	1,100
Economic Development Projects	3,552	4,800	2,541
Advertising	3,373	2,400	3,016
Insurance	2,809	3,500	3,167
G.S.T. Expense	2,495	-	3,705
Credit checks	2,305	-	1,940
Professional Development	1,996	2,573	1,298
Furniture and Fixtures	1,514	-	14,364
Postage and Freight	166	600	376
Community Access	60	-	217
Youth Projects	-	-	2,779
	<u>383,412</u>	<u>406,523</u>	<u>396,741</u>
Excess (deficiency) of revenue over expenses	(13,388)	-	40,679
Capital Assets Purchased	1,514		14,364
Increase (Decrease) in Unexpended Funds	(1,994)		(22,127)
Amortization of Capital Assets	(4,009)		(7,418)
General Fund Balance, Beginning of year	<u>80,574</u>		<u>55,076</u>
General Fund Balance, End of Year \$	<u>62,697</u>		\$ <u>80,574</u>

COMMUNITY FUTURES ELK ISLAND REGIONSTATEMENT OF INCOME AND CHANGES IN GENERAL FUND BALANCEBUILDING ACCOUNT

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	FOR THE YEAR ENDED March 31st		
	<u>2013</u>	<u>2013</u>	<u>2012</u>
	<u>ACTUAL</u>	<u>BUDGET</u>	<u>ACTUAL</u>
<u>REVENUE</u>			
Rentals	\$ 7,677		\$ 3,534
Interest	46		-
	<u>7,723</u>		<u>3,534</u>
<u>EXPENDITURES</u>			
Bank Charges	<u>-</u>		<u>28</u>
Excess (deficiency) of revenue over expenses	7,723		3,506
Capital Assets Purchased	-		-
Amortization of Capital Assets	(2,246)		(2,246)
General Fund Balance, Beginning of year	<u>40,189</u>		<u>38,929</u>
General Fund Balance, End of Year \$	<u>45,666</u>		\$ <u>40,189</u>



COMMUNITY FUTURES ELK ISLAND REGION  
STATEMENT OF INCOME AND CHANGES IN RESTRICTED FUND BALANCES  
YEAR ENDED MARCH 31, 2013

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	LOAN INVESTMENT FUNDS			2013	2012
	Non-Repayable	Repayable	Disabled	TOTAL	TOTAL
<u>REVENUE</u>					
Investment Interest	\$ 199,822	\$ 41,952	\$ 23	\$ 241,797	\$ 211,635
Bank Interest	<u>509</u>	<u>299</u>	<u>5,267</u>	<u>6,075</u>	<u>8,747</u>
	<u>200,331</u>	<u>42,251</u>	<u>5,290</u>	<u>247,872</u>	<u>220,382</u>
<u>EXPENSES</u>					
Provision for Investment Losses	96,133	2,901	-	99,034	201,334
Client Costs	-	-	-	-	7
Interest & Bank Charges	<u>7,522</u>	<u>-</u>	<u>-</u>	<u>7,522</u>	<u>6,727</u>
	<u>103,655</u>	<u>2,901</u>	<u>-</u>	<u>106,556</u>	<u>208,068</u>
Income before the following items	96,676	39,350	5,290	141,316	12,314
Federal Government share of Investment Income	<u>-</u>	<u>18,225</u>	<u>2,645</u>	<u>20,870</u>	<u>(62,367)</u>
Excess (deficiency) of revenue over expenses	96,676	21,125	2,645	120,446	74,681
FUND BALANCE, beginning of year	<u>2,912,268</u>	<u>229,586</u>	<u>56,679</u>	<u>3,198,533</u>	<u>3,123,852</u>
FUND BALANCE, end of year	<u>\$ 3,008,944</u>	<u>\$ 250,711</u>	<u>\$ 59,324</u>	<u>\$ 3,318,979</u>	<u>\$ 3,198,533</u>

# COMMUNITY FUTURES ELK ISLAND REGION

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## STATEMENT OF CASH FLOW

Year ended MARCH 31, 2013

	General Fund	Building Fund	LOAN INVESTMENT FUNDS		Disabled	2013 TOTAL	2012 TOTAL
			Non-Repayable	Repayable			
<b>SOURCES OF CASH</b>							
WD Contributions	\$ 321,256	\$ -	\$ -	\$ -	\$ -	\$ 321,256	\$ 294,963
Investment Income	253	-	198,450	39,052	5,295	243,050	166,075
Other Contributions	52,304	-	-	-	-	52,304	102,630
Other	20,510	7,722	-	-	-	28,232	34,779
Loan Received	-	-	-	-	-	-	18,157
Investment Loan Repayments	-	-	654,632	98,288	2,207	755,127	674,319
	394,323	7,722	853,082	137,340	7,502	1,399,969	1,290,923
<b>USES OF CASH</b>							
Salaries & Benefits	257,547	-	-	-	-	257,547	284,721
Materials & Services	140,515	-	-	-	-	140,515	100,396
Interest Expense	-	-	7,522	-	-	7,522	6,684
Change in Capital Assets	-	-	-	-	-	-	-
Investment Loan Advances	-	-	1,263,123	280,901	-	1,544,024	736,686
	398,062	-	1,270,645	280,901	-	1,949,608	1,128,487
Net Increase (Decrease) in Cash	(3,739)	7,722	(417,563)	(143,561)	7,502	(549,639)	162,436
CASH, Beginning of Year	80,641	33,453	503,359	209,943	256,750	1,084,146	921,713
Change in Interfund Transfers	(4,203)	-	4,198	5	-	-	-
CASH, End of Year	\$ 72,699	\$ 41,175	\$ 89,994	\$ 66,387	\$ 264,252	\$ 534,507	\$ 1,084,149

John M. Beale, CMA



COMMUNITY FUTURES ELK ISLAND REGIONNOTES TO FINANCIAL STATEMENTSMarch 31, 2013

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1. PURPOSE OF THE ORGANIZATION

The COMMUNITY FUTURES ELK ISLAND REGION 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIESFUND ACCOUNTING

The COMMUNITY FUTURES ELK ISLAND REGION 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 Building Fund accounts for the organization's maintenance costs that are not covered by grants and rental revenues. This fund reports unrestricted resources.

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.

CAPITAL ASSETS

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is provided on a straight line basis over the assets' estimated lives, which vary from 3 to 5 years. Amortization expense is reported in the General Fund.

3. CAPITAL ASSETS

	<u>COST</u>	<u>ACCUMULATED AMORTIZATION</u>	<u>NET BOOK VALUE</u>	<u>Rate</u>
Furniture & Equipment	\$ 77,805	\$ 71,219	\$ 6,586	5 years
Computer Equipment	59,568	55,334	4,234	5 years
Software	2,302	2,302	-	3 years
	\$ <u>139,675</u>	\$ <u>128,855</u>	\$ <u>10,820</u>	

COMMUNITY FUTURES ELK ISLAND REGIONNOTES TO FINANCIAL STATEMENTSMarch 31, 2013

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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 loans portfolio, as determined by management as follows:

	2012 Provision Endingfor <u>Balance</u>	Credit <u>Losses</u>	Actual Write <u>Offs</u>	2013 Ending <u>Balance</u>
Loan Investment Fund -General	\$ 277,308	\$ 96,133	\$ 22,220	\$ 351,221
Loan Investment Fund -Repayable	90,630	2,902	-	93,532
Loan Investment Fund -Disabled	-	-	-	-
	<u>\$ 367,938</u>	<u>\$ 99,035</u>	<u>\$ 22,220</u>	<u>\$ 444,753</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.

5. EXTERNALLY RESTRICTED NET ASSETS

Major categories of externally imposed restrictions on net assets are as follows:

	<u>2013</u>	<u>2012</u>
<u>General Fund</u>		
Restricted to special projects	\$ 6,012	\$ 8,006
<u>Loan Investment Funds</u>		
Loan investment funds restricted to loans and equity investments to entrepreneurs		
- General	3,008,944	2,912,268
- Repayable	250,711	229,586
- Disabled	59,324	56,679
	<u>\$ 3,324,991</u>	<u>\$ 3,206,539</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. INTERFUND TRANSFERS

The Loan Investment Funds for the Repayable, Disabled, and Youth are maintained in interest bearing bank savings accounts. The interfund transfers are the transfers that are required to reimburse the Non-Repayable Investment fund for disbursements made on there behalf.

COMMUNITY FUTURES ELK ISLAND REGION  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2013

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8. FINANCIAL INSTRUMENTS

The corporation's financial assets and liabilities at March 31, 2013 include all current assets, investment loans receivable, accrued liabilities and long term liabilities. Due to the short term nature of these items, carrying amounts are considered to approximate fair value.

The corporation provides loans to its clients in the normal course of its operations. The corporation determines, on a continuing bases, the probable losses and sets up a provision for losses based on the estimated realizable value. The corporation minimizes its credit risk by carrying out credit checks on its clients and by concluding transactions with a large number of clients in various industries.

9. WAGES AND BENEFITS

The wages and benefits are shown as a net of employment grants and reimbursements.

	<u>2013</u>	<u>2012</u>
Total Wages and Benefits	\$ 257,547	\$ 287,542
S.T.E.P. & S.E.E.D.	-	(2,821)
	<u>\$ 257,547</u>	<u>\$ 284,721</u>

10. ECONOMIC DEPENDENCE

The corporation receives 80% of its operating revenues from the federal government and is economically dependent upon it.