

COMMUNITY FUTURES ELK ISLAND REGION

FINANCIAL STATEMENT

March 31, 2015

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**JOHN M. BEALE, CMA**  
**CERTIFIED MANAGEMENT ACCOUNTANT**

BOX 659  
TWO HILLS, ALBERTA  
T0B 4K0

(780) 657 - 2492  
FAX (780) 657-3492

INDEPENDENT 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, 2015 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 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.

**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 on 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, 2015, the results of its operations and fund position and its cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Two Hills, Alberta  
June 17, 2015

John M. Beale, CMA  
Certified Management Accountant

# COMMUNITY FUTURES ELK ISLAND REGION

## STATEMENT OF FINANCIAL POSITION

March 31, 2015

### ASSETS

#### CURRENT ASSETS

	General Fund	Special Projects Fund	Non-Repayable	LOAN INVESTMENT FUNDS Repayable	Disabled	2015 TOTAL	2014 TOTAL
Cash	\$ 111,214	\$ 51,356	\$ 465,837	\$ 383,836	\$ 257,542	\$ 1,269,785	\$ 960,458
Accounts Receivable (Note 3)	5,126	-	-	-	-	5,126	5,395
Interest Receivable (Note 4)	-	-	171,053	24,879	45	195,977	203,047
Inter Fund Receivable (Note 5)	-	21,550	-	-	-	21,550	1,780
Prepaid Expenses	617	-	-	-	-	617	1,100
Total Current Assets	116,957	72,906	636,890	408,715	257,587	1,493,055	1,171,780

#### CAPITAL ASSETS (Note 6)

	20,557	-	-	-	-	20,557	15,744
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#### OTHER ASSETS (Note 7)

Investment Loans Receivable	-	-	3,933,570	503,404	17,030	4,454,004	4,634,785
	\$ 137,514	\$ 72,906	\$ 4,570,460	\$ 912,119	\$ 274,617	\$ 5,967,616	\$ 5,822,309

**COMMUNITY FUTURES ELK ISLAND REGION**  
**STATEMENT OF FINANCIAL POSITION**

March 31, 2015

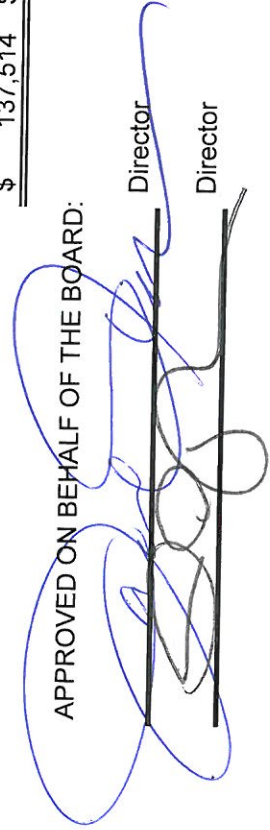
**LIABILITIES and FUND BALANCES**

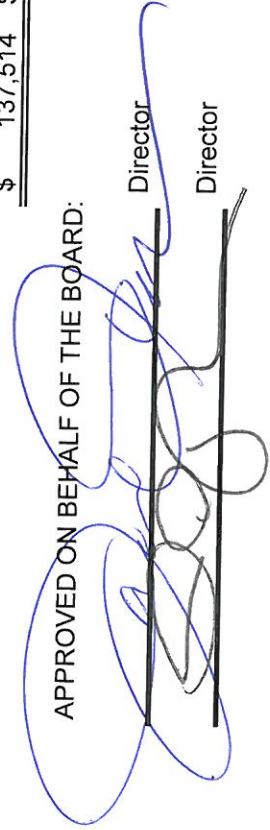
	General Fund	Special Projects Fund	LOAN INVESTMENT FUNDS Non-Repayable	Repayable	Disabled	2015 TOTAL	2014 TOTAL
<b><u>CURRENT LIABILITIES</u></b>							
Accounts Payable (Note 8)	\$ 15,546	\$ -	\$ 25,024	\$ 5,003	\$ -	\$ 45,573	\$ 37,454
Inter Fund Payable (Note 5)	13,887	-	7,663	-	-	21,550	1,780
Prepaid Revenue	-	-	-	-	-	-	23,464
Loans Payable (Note 9)	-	-	1,300,000	-	-	1,300,000	1,300,000
Total Current Liabilities	29,433	-	1,332,687	5,003	-	1,367,123	1,362,698

**FUND BALANCES**

Invested in Capital Assets	20,557	-	-	-	-	20,557	15,744
Externally Restricted (Note 10)	-	-	-	907,116	274,617	4,419,506	4,295,487
Internally Restricted (Note 11)	-	-	3,237,773	-	-	-	30,000
Unrestricted	87,524	72,906	-	-	-	160,430	118,380
	108,081	72,906	3,237,773	907,116	274,617	4,600,493	4,459,611
	\$ 137,514	\$ 72,906	\$ 4,570,460	\$ 912,119	\$ 274,617	\$ 5,967,616	\$ 5,822,309

APPROVED ON BEHALF OF THE BOARD:

 Director

 Director

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

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	<u>FOR THE YEAR ENDED March 31st</u>		
	<u>2015</u>	<u>2015</u>	<u>2014</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
	(Unaudited)		
<u>REVENUE</u>			
Operating grants			
- Western Economic			
Diversification	\$ 294,963	\$ 294,963	\$ 294,963
- Special Programs	64,000	105,352	129,660
Loan Fees	19,800	13,850	19,415
Service & Miscellaneous Income	2,400	1,780	4,330
Interest Income	180	412	352
	<u>381,343</u>	<u>416,357</u>	<u>448,720</u>
<u>EXPENDITURES</u>			
Wages and Benefits	275,200	264,261	304,141
Rent	17,820	17,665	17,815
Office Supplies	9,600	15,796	14,125
Assets Purchased	-	12,897	7,600
Professional Development	9,500	12,187	3,091
Travel and Subsistence - Staff	11,353	11,017	9,008
Travel and Subsistence - Directors	10,700	10,968	7,544
Advertising	5,400	10,093	4,135
Telephone	8,800	7,522	7,627
Licences, Memberships, Subscriptions	5,850	6,981	10,152
Utilities	12,000	4,834	9,097
Economic Development Projects	4,500	4,782	6,823
Professional Fees	4,000	4,000	4,000
Insurance	3,500	2,720	2,817
G.S.T. Expense	-	1,933	1,852
Credit checks	2,400	1,658	1,855
Economic Development Promotion	-	932	7,328
Postage and Freight	720	226	313
Conference	-	-	4,034
Community Access	-	-	40
	<u>381,343</u>	<u>390,472</u>	<u>423,397</u>
<u>TRANSFERS</u>			
Inter Fund Transfers	-	(9,550)	-
Excess (deficiency) of revenue over expenses	-	16,335	25,323
Increase (Decrease) in Unexpended Funds		(51,852)	45,840
Capital Assets Purchased		12,897	7,600
Amortization of Capital Assets		(5,838)	(4,921)
Operating Fund Balance, Beginning of year		<u>136,539</u>	<u>62,697</u>
Operating Fund Balance, End of Year	\$ -	\$ <u>108,081</u>	\$ <u>136,539</u>

COMMUNITY FUTURES ELK ISLAND REGIONSTATEMENT OF INCOME AND CHANGES IN GENERAL FUND BALANCESPECIAL PROJECTS FUND

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	<u>FOR THE YEAR ENDED March 31st</u>	
	<u>2015</u>	<u>2014</u>
	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUE</u>		
Special Projects	\$ 6,000	\$ -
Rentals	4,053	5,897
Interest	112	119
	<u>10,165</u>	<u>6,016</u>
<u>EXPENDITURES</u>		
Bank Charges	<u>-</u>	<u>-</u>
<u>TRANSFERS</u>		
Inter Fund Transfers	<u>15,550</u>	<u>-</u>
Excess (deficiency) of revenue over expenses	25,715	6,016
Capital Assets Purchased	-	-
Amortization of Capital Assets	(2,246)	(2,245)
Special Projects Fund Balance, Beginning of year	<u>49,437</u>	<u>45,666</u>
Special Projects Fund Balance, End of Year	\$ <u>72,906</u>	\$ <u>49,437</u>

COMMUNITY FUTURES ELK ISLAND REGION  
STATEMENT OF INCOME AND CHANGES IN RESTRICTED FUND BALANCES  
YEAR ENDED MARCH 31, 2015

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	LOAN INVESTMENT FUNDS		2015	2014
	Non-Repayable	Repayable Disabled	TOTAL	TOTAL
<u>REVENUE</u>				
Investment Interest	\$ 195,550	\$ 40,448	\$ 237,159	\$ 259,894
Bank Interest	<u>1,046</u>	<u>433</u>	<u>7,142</u>	<u>3,321</u>
	<u>196,596</u>	<u>40,881</u>	<u>244,301</u>	<u>263,215</u>
<u>EXPENSES</u>				
Provision for Investment Losses	6,142	47,525	53,667	111,132
Client Costs	-	-	-	-
Interest & Bank Charges	<u>38,763</u>	<u>-</u>	<u>38,763</u>	<u>22,193</u>
	<u>44,905</u>	<u>47,525</u>	<u>92,430</u>	<u>133,325</u>
Income before the following items	151,691	(6,644)	151,871	129,890
Interfund Transfer	<u>6,000</u>	<u>-</u>	<u>6,000</u>	<u>23,376</u>
Excess (deficiency) of revenue over expenses	145,691	(6,644)	145,871	106,514
FUND BALANCE, beginning of year	<u>3,092,082</u>	<u>913,760</u>	<u>4,273,635</u>	<u>4,167,121</u>
FUND BALANCE, end of year	<u>\$ 3,237,773</u>	<u>\$ 907,116</u>	<u>\$ 4,419,506</u>	<u>\$ 4,273,635</u>

# COMMUNITY FUTURES ELK ISLAND REGION

## STATEMENT OF CASH FLOW

Year ended MARCH 31, 2015

	General Fund	Special Projects Fund	LOAN INVESTMENT FUNDS			2015 TOTAL	2014 TOTAL
			Non-Repayable	Repayable	Disabled		
<b>SOURCES OF CASH</b>							
WD Contributions	\$ 271,499	\$ -	\$ -	\$ -	-	\$ 271,499	\$ 292,134
Investment Income	412	112	206,032	38,503	5,663	250,722	225,809
Other Contributions	53,500	6,000	-	-	-	59,500	175,501
Other	15,630	4,053	-	-	-	19,683	29,761
Loan Received	-	-	-	-	-	-	550,000
Investment Loan Repayments	-	-	780,889	314,691	5,808	1,101,388	988,897
	341,041	10,165	986,921	353,194	11,471	1,702,792	2,262,102
<b>USES OF CASH</b>							
Salaries & Benefits	265,961	-	-	-	-	265,961	296,745
Materials & Services	109,266	-	-	-	-	109,266	117,739
Interest Expense	-	-	38,763	-	-	38,763	22,193
Change in Capital Assets	12,897	-	-	-	-	12,897	-
Investment Loan Advances	-	-	786,578	180,000	-	966,578	1,399,474
	388,124	-	825,341	180,000	-	1,393,465	1,836,151
Net Increase (Decrease) in Cash	(47,083)	10,165	161,580	173,194	11,471	309,327	425,951
CASH, Beginning of Year	153,852	47,191	302,304	210,640	246,471	960,458	534,507
Change in Interfund Transfers	4,445	(6,000)	1,953	2	(400)	-	-
CASH, End of Year	\$ 111,214	\$ 51,356	\$ 465,837	\$ 383,836	\$ 257,542	\$ 1,269,785	\$ 960,458



COMMUNITY FUTURES ELK ISLAND REGION  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2015  
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1. STATUS AND 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 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

(a) FUND 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 Special Projects Fund accounts for the organization's special projects. This fund reports unrestricted resources and restricted operating grants.

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.

(b) 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.

(c) 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 is 5 years. Amortization expense is reported in the General Fund and Special Projects Fund.

(d) CASH AND CASH EQUIVALENTS

The organization s 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.

## COMMUNITY FUTURES ELK ISLAND REGION

NOTES TO FINANCIAL STATEMENTSMarch 31, 2015

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## (e) 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 repaired 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.

## (f) 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 these estimates.

## (g) FINANCIAL INSTRUMENTS

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 amortize cost include trade accounts payable and accrued liabilities.

3. ACCOUNTS RECEIVABLE

	<u>2015</u>	<u>2014</u>
Receivable from federal government	\$ 4,306	\$ 4,645
General trade receivable	<u>820</u>	<u>750</u>
	\$ <u>5,126</u>	\$ <u>5,395</u>

4. INTEREST RECEIVABLE

	<u>2015</u>	<u>2014</u>
Loan Interest Receivable	\$ 251,502	\$ 218,272
Allowance for doubtful accounts	<u>55,525</u>	<u>15,225</u>
	\$ <u>195,977</u>	\$ <u>203,047</u>

## COMMUNITY FUTURES ELK ISLAND REGION

## NOTES TO FINANCIAL STATEMENTS

March 31, 2015

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5. INTERFUND RECEIVABLE / PAYABLE

The Funds are maintained in interest bearing bank savings accounts. The interfund receivable, payable, and transfers are the amounts that are required to reimburse the other Funds for receipts and disbursements made on their behalf.

6. CAPITAL ASSETS

			March 2015 NET BOOK VALUE	March 2014 NET BOOK VALUE
	<u>COST</u>	<u>ACCUMULATED AMORTIZATION</u>		
Furniture & Equipment	\$ 85,614	\$ 88,089	\$ 2,475	\$ 5,790
Computer Equipment	76,484	63,722	12,762	3,114
Software	9,902	4,582	5,320	6,840
	<u>\$ 172,000</u>	<u>\$ 156,393</u>	<u>\$ 20,557</u>	<u>\$ 15,744</u>

7. 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.

8. ACCOUNTS PAYABLE

	<u>2015</u>	<u>2014</u>
Trade accounts payable	\$ 15,546	\$ 13,950
Excess loan payments payable	<u>30,027</u>	<u>23,504</u>
	<u>\$ 45,573</u>	<u>\$ 37,454</u>

9. LOANS PAYABLE

The loan payable is a demand loan requiring monthly payments of interest only. Interest is currently at 3.00%

10. EXTERNALLY RESTRICTED NET ASSETS

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

	<u>2015</u>	<u>2014</u>
<u>General Fund</u>		
Restricted to special projects	\$ -	\$ 21,852
<u>Loan Investment Funds</u>		
Loan investment funds restricted to loans and equity investments to entrepreneurs		
- General	3,237,773	3,092,082
- Conditionally Repayable Fund	907,116	913,760
- Conditionally Repayable Disabled Fund	<u>274,617</u>	<u>267,793</u>
	<u>\$ 4,419,506</u>	<u>\$ 4,295,487</u>

COMMUNITY FUTURES ELK ISLAND REGIONNOTES TO FINANCIAL STATEMENTSMarch 31, 2015

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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 \$700,000 that are repayable if any of the following conditions occur:

- The Conditionally Repayable Investment Fund is not administered according to the terms and conditions specified in the Agreement; or
- Based on review and evaluation of the operations and the Conditionally Repayable Investment Funds of the Corporation, The Conditionally Repayable Investment Fund is not providing satisfactory level of benefits in term of employment creation, the development of SME's, and strengthening of the western Canadian economy; or
- 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
- The Agreement is terminated as described in Section 7 of the agreement; or
- An event of default occurs, as described in Section 7 of the agreement; or
- 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.

11. INTERNALLY RESTRICTED NET ASSETS

Management has imposed restrictions on net assets as follows:

	<u>2015</u>	<u>2014</u>
<u>General Fund</u>		
Required Equipment replacement	\$ <u>-</u>	\$ <u>30,000</u>

12. 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:

	<u>2014 Provision</u>		<u>Actual</u>		<u>2015</u>
	<u>Endingfor</u>	<u>Credit</u>	<u>Write</u>		<u>Ending</u>
	<u>Balance</u>	<u>Losses</u>	<u>Offs</u>		<u>Balance</u>
Loan Investment Fund -General	\$ 298,843	\$ 6,142	\$ -	\$	304,985
Loan Investment Fund -Repayable	18,163	47,525	-	-	65,688
Loan Investment Fund -Disabled	-	-	-	-	-
	\$ <u>317,006</u>	\$ <u>53,667</u>	\$ <u>-</u>	\$	<u>370,673</u>

COMMUNITY FUTURES ELK ISLAND REGIONNOTES TO FINANCIAL STATEMENTSMarch 31, 2015

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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.

13. FINANCIAL INSTRUMENTSRisks 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, 2015

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 association's main credit risk relate to its interest receivable and loans receivable.

14. ECONOMIC DEPENDENCE

The organization receives 95% of its operating revenues from federal, provincial and municipal governments and is economically dependent upon them.

15. COMPARATIVE FIGURES

Comparative figures have been adjusted to reflect current reporting format.