

**COMMUNITY FUTURES
ELK ISLAND REGION
Financial Statements
Year Ended March 31, 2017**

COMMUNITY FUTURES ELK ISLAND REGION

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Year Ended March 31, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Members of 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, 2017 and the statements of revenues and expenditures, changes in fund balances 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

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, 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.

The financial statements for the year ended March 31, 2016 were audited by another accounting firm and are presented for comparative purposes only.

M. Nelson Ncube Professional Corporation

Two Hills, Alberta
July 10, 2017

CHARTERED PROFESSIONAL ACCOUNTANT

COMMUNITY FUTURES ELK ISLAND REGION
Statement of Financial Position
March 31, 2017

	General Fund	Special project fund	Restricted Non-repayable	Restricted Repayable	Restricted Disabled	2017	2016
ASSETS							
CURRENT							
Cash	\$ 19,084	\$ 51,371	\$ 657,537	\$ 530,032	\$ 262,328	\$ 1,520,352	\$ 1,608,404
Term deposits	-	-	90,000	-	-	90,000	-
Accounts receivable (Note 2)	28,064	-	-	-	-	28,064	33,369
Interest receivable (Note 3)	-	-	245,698	35,413	1,978	283,089	211,850
Inter fund receivable	10,834	21,550	-	-	-	32,384	144,299
Prepaid expenses	3,716	-	-	-	-	3,716	6,571
Building deposit	100,000	-	-	-	-	100,000	-
	161,698	72,921	993,235	565,445	264,306	2,057,605	2,004,493
PROPERTY AND EQUIPMENT (Net) (Note 5)	19,382	-	-	-	-	19,382	17,034
INVESTMENT LOANS RECEIVABLE	-	-	3,803,770	396,479	44,037	4,244,286	4,207,508
	\$ 181,080	\$ 72,921	\$ 4,797,005	\$ 961,924	\$ 308,343	\$ 6,321,273	\$ 6,229,035

COMMUNITY FUTURES ELK ISLAND REGION
Statement of Financial Position
March 31, 2017

	General Fund	Special project fund	Restricted Non-repayable	Restricted Repayable	Restricted Disabled	2017	2016
LIABILITIES AND FUND BALANCES							
CURRENT							
Accounts payable (Note 7)	\$ 4,460	\$ -	\$ 7,592	\$ -	\$ -	\$ 12,052	\$ 11,052
Inter fund payable	-	-	27,406	1,550	3,428	32,384	144,299
Loans payable	-	-	1,300,000	-	-	1,300,000	1,300,000
TOTAL LIABILITIES	4,460	-	1,334,998	1,550	3,428	1,344,436	1,455,351
FUND BALANCES							
Invested in capital assets	19,382	-	-	-	-	19,382	17,034
Unrestricted	157,238	72,921	-	-	-	230,159	178,035
Externally restricted	-	-	3,462,007	960,374	304,915	4,727,296	4,578,615
	176,620	72,921	3,462,007	960,374	304,915	4,976,837	4,773,684
TOTAL	\$ 181,080	\$ 72,921	\$ 4,797,005	\$ 961,924	\$ 308,343	\$ 6,321,273	\$ 6,229,035

APPROVED ON BEHALF OF THE BOARD

Director

Director

COMMUNITY FUTURES ELK ISLAND REGION
Statement of Revenues and Expenditures
Year Ended March 31, 2017

	Budget 2017	Actual 2017	Actual 2016
REVENUES			
Western economic diversification	\$ 294,963	\$ 295,091	\$ 323,744
Special programs	243,800	256,037	242,735
Service and miscellaneous income	84,941	43,419	16,889
	<u>623,704</u>	<u>594,547</u>	<u>583,368</u>
EXPENDITURES			
Salaries, wages and benefits			
Rental	519,578	505,983	458,876
Travel and subsistence - staff	18,600	18,701	19,125
Advertising and promotion	14,360	17,404	14,277
Projects	8,400	16,522	3,322
Supplies	10,500	15,400	5,868
Professional development	9,600	13,019	9,005
Assets purchased	9,000	12,521	10,906
Telephone	-	8,426	4,169
Business taxes, licenses and memberships	8,400	7,500	7,827
Travel and subsistence - director	4,626	7,311	6,651
Professional fees	5,700	5,090	10,040
Utilities	4,000	4,500	4,000
Insurance	4,680	4,130	4,238
GST expense	3,500	3,194	2,964
Credit checks, client expense	-	1,539	1,933
Delivery, freight and express	2,400	1,125	1,825
Economic development promotion	360	59	405
	<u>-</u>	<u>-</u>	<u>348</u>
	<u>623,704</u>	<u>642,424</u>	<u>565,779</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES FROM OPERATIONS			
	-	(47,877)	17,589
OTHER ITEMS			
Assets purchased	-	8,426	4,169
Amortization of capital assets	-	(6,079)	(7,691)
	-	2,347	(3,522)
			(continues)

COMMUNITY FUTURES ELK ISLAND REGION
Statement of Revenues and Expenditures (continued)
Year Ended March 31, 2017

	Budget 2017	Actual 2017	Actual 2016
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ -	\$ (45,530)	\$ 14,067

COMMUNITY FUTURES ELK ISLAND REGION**Statement of Revenue and Expenses****Special projects fund****Year Ended March 31, 2017**

	2017	2016
REVENUES		
Interest	\$ -	\$ 15
Special projects	-	-
Rentals	-	-
	<u>\$ -</u>	<u>\$ 15</u>

COMMUNITY FUTURES ELK ISLAND REGION
Statement of Revenue and Expenses in Loan Investment Funds
Year Ended March 31, 2017

	Non Repayable 2017	Repayable 2017	Disabled 2017	Total 2017	Total 2016
REVENUES					
Investment interest	\$ 242,200	\$ 22,307	\$ 9,820	\$ 274,327	\$ 280,628
Bank interest	-	-	6,424	6,424	6,131
	242,200	22,307	16,244	280,751	286,759
EXPENSES					
Provision for investment losses	-	-	-	-	91,710
Interest and bank charges	32,070	-	-	32,070	35,824
Client costs	-	-	-	-	116
	32,070	-	-	32,070	127,650
EXCESS OF REVENUES OVER EXPENSES	\$ 210,130	\$ 22,307	\$ 16,244	\$ 248,681	\$ 159,109

COMMUNITY FUTURES ELK ISLAND REGION
Statement of Changes in Fund Balances
Year Ended March 31, 2017

	General Account	Special projects	Non repayable	Repayable	Disabled	2017	2016
FUND BALANCES - BEGINNING OF YEAR							
Deficiency of revenues over expenditures	\$ 122,148	\$ 72,921	\$ 3,351,877	\$ 938,067	\$ 288,671	\$ 4,773,684	\$ 4,600,493
Approved fund transfer	(45,530)	-	210,130	22,307	16,244	203,151	173,191
	100,000	-	(100,000)	-	-	-	-
FUND BALANCES - END OF YEAR	\$ 176,618	\$ 72,921	\$ 3,462,007	\$ 960,374	\$ 304,915	\$ 4,976,835	\$ 4,773,684

COMMUNITY FUTURES ELK ISLAND REGION
Statement of Cash Flows
Year Ended March 31, 2017

	General fund March 31	Special project March 31	Non repayable March 31	Repayable March 31	Disabled March 31	2017 Total March 31	2016 Total March 31
CASH FLOWS FROM OPERATING ACTIVITIES							
Excess (deficiency) of revenues	\$ (45,531)	\$ -	\$ 210,130	\$ 22,307	\$ 16,244	\$ 203,150	\$ 173,191
Item not affecting cash:							
Amortization of equipment	6,079	-	-	-	-	6,079	7,691
	(39,452)	-	210,130	22,307	16,244	209,229	180,882
Changes in non-cash working capital:							
Accounts receivable	8,851	-	-	-	-	8,851	(28,243)
Interest receivable	-	-	(65,633)	(5,606)	-	(71,239)	(15,875)
Accounts payable	(890)	-	1,892	-	-	1,002	(29,516)
Prepaid expenses	2,855	-	-	-	-	2,855	(5,955)
Goods and services tax payable	(3,546)	-	-	-	-	(3,546)	-
	7,270	-	(63,741)	(5,606)	-	(62,077)	(79,589)
	(32,182)	-	146,389	16,701	16,244	147,152	101,293
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchase of equipment	(8,426)	-	-	-	-	(8,426)	(4,169)
Building deposit	(100,000)	-	-	-	-	(100,000)	-
Repayment of loans and notes receivable	-	-	(178,432)	39,066	102,588	(36,778)	241,495
	(108,426)	-	(178,432)	39,066	102,588	(145,204)	237,326
FINANCING ACTIVITIES							
Interfund transfers	(20,133)	-	149,455	2,250	(131,572)	-	-
Approved fund transfers	100,000	-	(100,000)	-	-	-	-
	79,867	-	49,455	2,250	(131,572)	-	-
Cash flow from (used by) financing activities	(60,741)	-	17,412	58,017	(12,740)	1,948	338,619
INCREASE (DECREASE) IN CASH FLOW							
Cash - beginning of year	79,825	51,371	730,125	472,015	275,068	1,608,404	1,269,785
CASH - END OF YEAR	\$ 19,084	\$ 51,371	\$ 747,537	\$ 530,032	\$ 262,328	\$ 1,610,352	\$ 1,608,404

COMMUNITY FUTURES ELK ISLAND REGION

Notes to Financial Statements

Year Ended March 31, 2017

INTRODUCTION TO NOTES

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO) and, in management's opinion, with consideration of materiality and within the framework of the following accounting policies:

Fund accounting

Community Futures Elk Island Region follows the restricted fund 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.

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.

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.

Revenue recognition

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

Restricted contributions related to general operations are recognized as revenue of the General Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

Unrestricted contributions are recognized as revenue of the General Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

(continues)

COMMUNITY FUTURES ELK ISLAND 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 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.

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 amortize cost include trade accounts payable and accrued liabilities.

2. ACCOUNTS RECEIVABLE

	2017	2016
General trade receivable	\$ 18,279	\$ 27,130
Receivable from federal government	9,785	6,239
	<u>\$ 28,064</u>	<u>\$ 33,369</u>

3. INTEREST RECEIVABLE

	2017	2016
Loan interest receivable	\$ 318,670	\$ 247,431
Allowance for doubtful accounts	(35,581)	(35,581)
	<u>\$ 283,089</u>	<u>\$ 211,850</u>

COMMUNITY FUTURES ELK ISLAND REGION

Notes to Financial Statements

Year Ended March 31, 2017

4. INTERFUND RECEIVABLE / PAYABLE

The interfund receivable and payables 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	2017 Net book value	2016 Net book value
Computer equipment	\$ 78,216	\$ 66,190	\$ 12,026	\$ 13,047
Computer software	16,597	8,291	8,306	3,800
Furniture and fixtures	89,782	90,732	(950)	187
	<u>\$ 184,595</u>	<u>\$ 165,213</u>	<u>\$ 19,382</u>	<u>\$ 17,034</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. ACCOUNTS PAYABLE

Section heading	2017	2016
Trade accounts payable	\$ 4,460	\$ 5,352
Excess loan payments payable	7,592	5,700
	<u>\$ 12,052</u>	<u>\$ 11,052</u>

8. LOANS PAYABLE

The loan payable is a demand loan requiring monthly payments of interest only. Interest is currently at 3.0%

COMMUNITY FUTURES ELK ISLAND REGION

Notes to Financial Statements

Year Ended March 31, 2017

9. 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 off	Ending balance
Loan investment fund - general	\$ 229,748	\$ -	\$ -	\$ 229,748
Loan investment fund - repayable	65,000	-	-	65,000
	<u>\$ 294,748</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 294,748</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.

10. FINANCIAL INSTRUMENTS

The organization 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 organization's risk exposure and concentration as of March 31, 2017.

(a) 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.

(b) 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 association's main interest rate risk involves the loans receivable and loans payable.

COMMUNITY FUTURES ELK ISLAND REGION

Notes to Financial Statements

Year Ended March 31, 2017

11. EXTERNALLY RESTRICTED NET ASSETS

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

	2017	2016
General	\$ 3,462,007	\$ 3,351,877
Conditionally repayable fund	960,374	938,067
Conditionally repayable disabled fund	304,915	288,671
	<u>\$ 4,727,296</u>	<u>\$ 4,578,615</u>

Loan investment funds restricted to loans and equity investments to entrepreneurs

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:

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 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
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 7 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.

12. LOCAL AUTHORITIES PENSION PLAN

Employees of the Community Futures Elk Island Region participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The LAPP is financed by employer and employee contributions and investment earnings of the LAPP Fund.

Contributions for current service are recorded as expenditures in the year in which they become due.

Total current service contributions by the Organization to the LAPP in 2018-17 were \$28,561.

At December 31, 2016, the LAPP disclosed an actuarial deficiency of \$2.4 billion.

13. ECONOMIC DEPENDENCE

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