

COMMUNITY FUTURES ELK ISLAND REGION

FINANCIAL STATEMENT

March 31, 2014

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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, 2014 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 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, 2014, 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, 2014

John M. Beale, CMA  
Certified Management Accountant

# COMMUNITY FUTURES ELK ISLAND REGION

## STATEMENT OF FINANCIAL POSITION

March 31, 2014

### ASSETS

#### CURRENT ASSETS

	General Fund	Building Fund	LOAN INVESTMENT FUNDS		Disabled	2014 TOTAL	2013 TOTAL
			Non-Repayable	Repayable			
Cash	\$ 153,852	\$ 47,191	\$ 302,304	\$ 210,640	\$ 246,471	\$ 960,458	\$ 534,507
Accounts Receivable (Note 3)	5,395	-	-	-	-	5,395	3,543
Interest Receivable (Note 4)	-	-	180,489	22,501	57	203,047	165,289
Inter Fund Receivable (Note 5)	108	-	1,670	2	-	1,780	4,020
Prepaid Expenses	1,100	-	-	-	-	1,100	6,550
Total Current Assets	160,455	47,191	484,463	233,143	246,528	1,171,780	713,909

#### CAPITAL ASSETS (Note 6)

	13,498	2,246	-	-	-	15,744	15,311
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#### OTHER ASSETS (Note 7)

Investment Loans Receivable	-	-	3,932,503	680,617	21,665	4,634,785	4,321,259
	\$ 173,953	\$ 49,437	\$ 4,416,966	\$ 913,760	\$ 268,193	\$ 5,822,309	\$ 5,050,479

## STATEMENT OF FINANCIAL POSITION

March 31, 2014

LIABILITIES and FUND BALANCES

	General Fund	Building Fund	LOAN INVESTMENT FUNDS		2013 TOTAL	2012 TOTAL
			Non-Repayable	Repayable		
<u>CURRENT LIABILITIES</u>						
Accounts Payable (Note 8)	\$ 13,950	\$ -	\$ 23,504	\$ -	\$ 37,454	\$ 18,058
Inter Fund Payable (Note 5)	-	-	1,380	-	1,780	4,020
Prepaid Revenue	23,464	-	-	-	23,464	26,293
Loans Payable (Note 9)	-	-	1,300,000	-	1,300,000	750,000
Total Current Liabilities	37,414	-	1,324,884	-	1,362,698	798,371
<u>INVESTMENT FUNDS REPAYABLE</u>						
	-	-	-	641,443	848,142	824,766
<u>FUND BALANCES</u>						
Invested in Capital Assets	13,498	2,246	-	-	15,744	15,311
Externally Restricted (Note 10)	21,852	-	-	272,317	3,447,345	3,324,991
Internally Restricted (Note 11)	30,000	-	-	-	30,000	-
Unrestricted	71,189	47,191	-	-	118,380	87,040
	136,539	49,437	3,092,082	272,317	3,611,469	3,427,342
	\$ 173,953	\$ 49,437	\$ 4,416,966	\$ 913,760	\$ 5,822,309	\$ 5,050,479

APPROVED ON BEHALF OF THE BOARD:


 Director


 Director

John M. Beale, CMA

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		
	2014	2014	2013
	ACTUAL	BUDGET	ACTUAL
<u>REVENUE</u>			
Operating grants			
- Western Economic Diversification	\$ 294,963	\$ 294,963	\$ 294,963
- Special Programs	129,660	148,000	54,298
Loan Fees	19,415	19,800	17,972
Service & Miscellaneous Income	4,330	-	2,538
Interest Income	352	180	253
	<u>448,720</u>	<u>462,943</u>	<u>370,024</u>
<u>EXPENDITURES</u>			
Wages and Benefits (Note 9)	304,142	323,750	257,547
Rent	17,815	17,820	16,466
Office Supplies	14,125	12,600	20,547
Licences, Memberships, Subscriptions	10,152	9,450	9,790
Utilities	9,097	18,400	17,708
Travel and Subsistence - Staff	9,008	11,353	13,052
Telephone	7,627	8,400	6,658
Assets Purchased	7,600	-	1,514
Travel and Subsistence - Directors	7,544	11,200	7,983
Economic Development Promotion	7,328	10,500	6,627
Economic Development Projects	6,823	6,000	3,552
Advertising	4,135	5,800	3,373
Conference	4,034	6,000	4,764
Professional Fees	4,000	4,000	4,000
Professional Development	3,091	9,350	1,996
Insurance	2,817	4,000	2,809
Credit checks	1,855	3,600	2,305
G.S.T. Expense	1,852	-	2,495
Postage and Freight	313	720	166
Community Access	40	-	60
	<u>423,397</u>	<u>462,943</u>	<u>383,412</u>
Excess (deficiency) of revenue over expenses	25,323	-	(13,388)
Capital Assets Purchased	7,600		1,514
Increase (Decrease) in Unexpended Funds	45,840		(1,994)
Amortization of Capital Assets	(4,921)		(4,009)
General Fund Balance, Beginning of year	<u>62,697</u>		<u>80,574</u>
General Fund Balance, End of Year	\$ <u>136,539</u>		\$ <u>62,697</u>

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

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	<u>FOR THE YEAR ENDED March 31st</u>		
	<u>2014</u>	<u>2014</u>	<u>2013</u>
	<u>ACTUAL</u>	<u>BUDGET</u>	<u>ACTUAL</u>
<u>REVENUE</u>			
Rentals	\$ 5,897		\$ 7,677
Interest	<u>119</u>		<u>46</u>
	<u>6,016</u>		<u>7,723</u>
<u>EXPENDITURES</u>			
Bank Charges	<u>-</u>		<u>-</u>
Excess (deficiency) of revenue over expenses	6,016		7,723
Capital Assets Purchased	-		-
Amortization of Capital Assets	(2,245)		(2,246)
General Fund Balance, Beginning of year	<u>45,666</u>		<u>40,189</u>
General Fund Balance, End of Year \$	<u>49,437</u>		\$ <u>45,666</u>

COMMUNITY FUTURES ELK ISLAND REGION  
STATEMENT OF INCOME AND CHANGES IN RESTRICTED FUND BALANCES  
YEAR ENDED MARCH 31, 2014

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	LOAN INVESTMENT FUNDS		2014	2013
	<u>Non-Repayable</u>	<u>Repayable</u>	<u>Disabled</u>	<u>TOTAL</u>
<u>REVENUE</u>				
Investment Interest	\$ 215,907	\$ 42,910	\$ 1,077	\$ 241,797
Bank Interest	<u>556</u>	<u>301</u>	<u>2,464</u>	<u>6,075</u>
	<u>216,463</u>	<u>43,211</u>	<u>3,541</u>	<u>247,872</u>
<u>EXPENSES</u>				
Provision for Investment Losses	111,132	-	-	99,034
Client Costs	-	-	-	-
Interest & Bank Charges	<u>22,193</u>	<u>-</u>	<u>-</u>	<u>7,522</u>
	<u>133,325</u>	<u>-</u>	<u>-</u>	<u>106,556</u>
Income before the following items	83,138	43,211	3,541	141,316
Federal Government share of Investment Income	<u>-</u>	<u>21,605</u>	<u>1,771</u>	<u>20,870</u>
Excess (deficiency) of revenue over expenses	83,138	21,606	1,770	120,446
FUND BALANCE, beginning of year	<u>3,008,944</u>	<u>250,711</u>	<u>59,324</u>	<u>3,198,533</u>
FUND BALANCE, end of year	<u>\$ 3,092,082</u>	<u>\$ 272,317</u>	<u>\$ 61,094</u>	<u>\$ 3,318,979</u>

John M. Beale, CMA

# COMMUNITY FUTURES ELK ISLAND REGION

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## STATEMENT OF CASH FLOW

Year ended MARCH 31, 2014

	General Fund	Building Fund	LOAN INVESTMENT FUNDS		2014 TOTAL	2013 TOTAL
			Non-Repayable	Repayable		
<b>SOURCES OF CASH</b>						
WD Contributions	\$ 292,134	\$ -	\$ -	\$ -	\$ 292,134	\$ 321,256
Investment Income	352	-	-	38,095	225,809	243,050
Other Contributions	175,501	-	183,878	-	175,501	52,304
Other	23,745	6,016	-	-	29,761	28,232
Loan Received	-	-	550,000	-	550,000	-
Investment Loan Repayments	-	-	814,404	171,158	988,897	755,127
	491,732	6,016	1,548,282	209,253	2,262,102	1,399,969
<b>USES OF CASH</b>						
Salaries & Benefits	296,745	-	-	-	296,745	257,547
Materials & Services	117,739	-	-	-	117,739	140,515
Interest Expense	-	-	22,193	-	22,193	7,522
Change in Capital Assets	-	-	-	-	-	-
Investment Loan Advances	-	-	1,309,474	65,000	1,399,474	1,544,024
	414,484	-	1,331,667	65,000	1,836,151	1,949,608
Net Increase (Decrease) in Cash	77,248	6,016	216,615	144,253	425,951	(549,639)
CASH, Beginning of Year	72,699	41,175	89,994	66,387	534,507	1,084,146
Change in Interfund Transfers	3,905	-	(4,305)	-	-	-
CASH, End of Year	\$ 153,852	\$ 47,191	\$ 302,304	\$ 210,640	\$ 960,458	\$ 534,507

John M. Beale, CMA



COMMUNITY FUTURES ELK ISLAND REGIONNOTES TO FINANCIAL STATEMENTSMarch 31, 2014

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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 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.

(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 Building 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, 2014

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## (e) 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.

## (f) USE OF ESTIMATES

When preparing financial statements in accordance with ASNFPO, management is required to make certain estimates and assumptions related to the:

- reported amounts of revenue and expenses for the year;
  - reported amounts of assets and liabilities; and
  - disclosure of contingent assets and liabilities at the report date.
- Assumptions are based on a number of factors, including historical experience, current events and actions that the association may undertake in future, and other assumptions believed reasonable under the circumstances. These estimates are periodically reviewed and, accordingly, adjustments made to these estimates are taken into income in the year in which it is determined. These estimates are subject to measurement uncertainty, and actual results may therefore differ from those estimates. Estimates are used when accounting for certain items, such as accrued accounts payable, allowance for uncollectible amounts and estimated contract costs.

3. ACCOUNTS RECEIVABLE

	<u>2014</u>	<u>2013</u>
Receivable from federal government	\$ 4,645	\$ 2,793
General trade receivable	<u>750</u>	<u>750</u>
	\$ <u>5,395</u>	\$ <u>3,543</u>

4. INTEREST RECEIVABLE

	<u>2014</u>	<u>2013</u>
Loan Interest Receivable	\$ 218,272	\$ 174,992
Allowance for doubtful accounts	<u>15,225</u>	<u>9,703</u>
	\$ <u>203,047</u>	\$ <u>165,289</u>

COMMUNITY FUTURES ELK ISLAND REGIONNOTES TO FINANCIAL STATEMENTSMarch 31, 2014

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5. INTERFUND TRANSFERS

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 2014	March 2013
	<u>COST</u>	<u>ACCUMULATED AMORTIZATION</u>	<u>NET BOOK VALUE</u>	<u>NET BOOK VALUE</u>
Furniture & Equipment	\$ 85,614	\$ 79,824	\$ 5,790	\$ 9,470
Computer Equipment	63,587	60,473	3,114	5,841
Software	9,902	3,062	6,840	-
	\$ <u>159,103</u>	\$ <u>143,359</u>	\$ <u>15,744</u>	\$ <u>15,311</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>2014</u>	<u>2013</u>
Trade accounts payable	\$ <u>37,454</u>	\$ <u>18,058</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>2014</u>	<u>2013</u>
<u>General Fund</u>		
Restricted to special projects	\$ 21,852	\$ 6,012
<u>Loan Investment Funds</u>		
Loan investment funds restricted to loans and equity investments to entrepreneurs		
- General	3,092,082	3,008,944
- Repayable	272,317	250,711
- Disabled	61,094	59,324
	\$ <u>3,447,345</u>	\$ <u>3,324,991</u>

COMMUNITY FUTURES ELK ISLAND REGIONNOTES TO FINANCIAL STATEMENTSMarch 31, 2014

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11. INTERNALLY RESTRICTED NET ASSETS

Management has imposed restrictions on net assets as follows:

	<u>2014</u>	<u>2013</u>
<u>General Fund</u>		
Required Equipment replacement	\$ <u>30,000</u>	\$ <u>-</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:

	2013 Provision Endingfor Credit Balance	Provision Losses	Actual Write Offs	2014 Ending Balance
Loan Investment Fund -General	\$ 351,221	\$ 111,131	\$ 163,509	\$ 298,843
Loan Investment Fund -Repayable	93,532	-	75,369	18,163
Loan Investment Fund -Disabled	-	-	-	-
	\$ <u>444,753</u>	\$ <u>111,131</u>	\$ <u>238,878</u>	\$ <u>317,006</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.

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, 2014

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.