

COMMUNITY FUTURES ELK ISLAND REGION
Financial Statements
Year Ended March 31, 2019

COMMUNITY FUTURES ELK ISLAND REGION
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Year Ended March 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Members of Community Futures Elk Island Region

We have audited the accompanying financial statements of Community Futures Elk Island Region, which comprise the statement of financial position as at March 31, 2019 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

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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Community Futures Elk Island Region as at March 31, 2019 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.

**Two Hills, AB
July 24, 2019**

NCube & Landry LLP

Chartered Professional Accountants

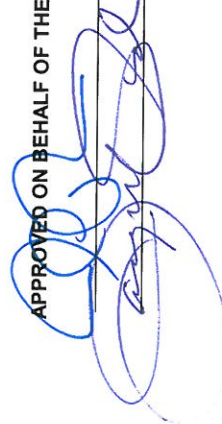
COMMUNITY FUTURES ELK ISLAND REGION
Statement of Financial Position
March 31, 2019

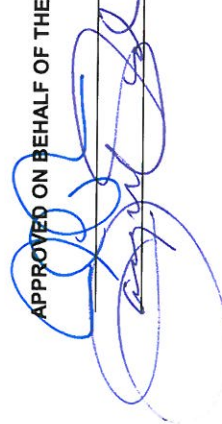
	General Fund	Special project fund	Restricted Non-repayable	Restricted Repayable	Restricted Disabled	Total 2018	Total 2017
ASSETS							
CURRENT							
Cash	\$ 17,843	\$ 9,128	\$ 837,905	\$ 171,827	\$ 307,200	\$ 1,343,903	\$ 999,723
Term deposits	-	-	91,215	-	-	91,215	90,000
Accounts receivable (Note 2)	15,787	-	-	-	-	15,787	37,854
Inter fund receivable	-	43,400	147,839	-	-	191,239	188,801
Interest receivable (Note 3)	-	-	481,704	87,082	2,169	570,955	422,873
Prepaid expenses	1,100	-	-	-	-	1,100	1,100
	34,730	52,528	1,558,663	258,909	309,369	2,214,199	1,740,351
	186,650	14,146	-	-	-	200,796	218,514
	-	-	3,094,064	981,643	17,620	4,093,327	4,563,174
	\$ 221,380	\$ 66,674	\$ 4,652,727	\$ 1,240,552	\$ 326,989	\$ 6,508,322	\$ 6,522,039
CAPITAL ASSETS (Net) (Note 5)							
LOANS AND NOTES RECEIVABLE							

COMMUNITY FUTURES ELK ISLAND REGION
Statement of Financial Position
March 31, 2019

	General Fund	Special project fund	Restricted Non-repayable	Restricted Repayable	Restricted Disabled	Total 2018	Total 2017
LIABILITIES AND FUND BALANCES							
CURRENT							
Accounts payable (Note 7)	\$ 9,871	\$ -	\$ 18,733	\$ 7,618	\$ -	\$ 36,222	\$ 38,996
Current portion of long term debt (Note 14)	7,651	-	-	-	-	7,651	7,280
Inter fund payable	55,547	-	-	134,374	1,318	191,239	188,800
	73,069	-	18,733	141,992	1,318	235,112	235,076
LONG TERM DEBT (Note 14)	68,618	-	1,300,000	-	-	1,368,618	1,376,117
DEFERRED INCOME	29,606	-	-	-	-	29,606	-
	171,293	-	1,318,733	141,992	1,318	1,633,336	1,611,193
FUND BALANCES							
Invested in capital assets	110,381	14,146	-	-	-	124,527	135,119
Unrestricted	(60,294)	52,528	-	-	-	(7,766)	39,877
Externally restricted	-	-	3,333,994	1,098,560	325,671	4,758,225	4,735,850
	50,087	66,674	3,333,994	1,098,560	325,671	4,874,986	4,910,846
	50,087	66,674	3,333,994	1,098,560	325,671	4,874,986	4,910,846
	221,380	\$ 66,674	\$ 4,652,727	\$ 1,240,552	\$ 326,989	\$ 6,508,322	\$ 6,522,039

APPROVED ON BEHALF OF THE BOARD

 Director

 Director

COMMUNITY FUTURES ELK ISLAND REGION
Statement of Revenues and Expenditures
Year Ended March 31, 2019

	General Account Budget	General Account Actual	Special Projects	Non Repayable Investments	Repayable Investments	Disabled Investments	Total 2018	Total 2017
REVENUES								
Western economic diversification	\$ 294,963	\$ 294,963	\$ -	\$ -	\$ -	\$ -	\$ 294,963	\$ 266,054
Special programs	318,581	323,488	-	-	-	-	323,488	273,367
Service and miscellaneous income	85,699	34,971	-	-	-	-	34,971	38,548
Interest income	-	-	204	8,010	-	8,765	16,979	8,105
Investment interest	-	-	-	271,618	89,753	1,980	363,351	350,832
	699,243	653,422	204	279,628	89,753	10,745	1,033,752	936,906
EXPENDITURES								
Salaries, wages and benefits	537,952	519,157	-	-	-	-	519,157	490,625
Travel and subsistence - staff	26,660	26,424	-	-	-	-	26,424	18,032
Supplies	19,200	24,695	-	-	-	-	24,695	44,914
Advertising and promotion	13,400	17,438	-	-	-	-	17,438	10,113
Rental	23,173	16,451	-	-	-	-	16,451	16,677
GST expense	-	11,622	-	-	-	-	11,622	-
Professional development	11,000	10,820	-	-	-	-	10,820	3,280
Travel and subsistence - director	10,700	9,971	-	-	-	-	9,971	4,039
Telephone	10,200	9,833	-	-	-	-	9,833	9,080
Projects	9,723	9,642	-	-	-	-	9,642	7,034
Utilities	9,980	9,340	-	-	-	-	9,340	7,355
Business taxes, licenses and memberships	8,868	8,935	-	-	-	-	8,935	8,670
Professional fees	5,000	5,000	-	-	-	-	5,000	5,090
Property taxes	-	4,277	-	-	-	-	4,277	5,018
Interest on long term debt	-	4,270	-	48,537	-	-	52,807	50,412
Insurance	3,500	3,325	-	-	-	-	3,325	4,996
Credit checks, client expense	2,400	1,835	-	-	-	-	1,835	1,428
Delivery, freight and express	360	175	-	-	-	-	175	85
Client cost	-	-	-	-	-	-	-	3,688
Write off on loan receivables	-	-	-	309,214	-	-	309,214	-
Bad debts	-	-	-	-	-	-	-	300,000
	692,116	693,210	-	357,751	-	-	1,050,961	990,536

**COMMUNITY FUTURES ELK ISLAND REGION
EXCESS (DEFICIENCY) OF REVENUES OVER
EXPENDITURES FROM OPERATIONS**

OTHER ITEMS

Amortization of capital assets

7,127	(39,788)	204	(78,123)	89,753	10,745	(17,209)	(53,630)
\$ -	\$ (13,676)	\$ (4,043)	\$ -	\$ -	\$ -	\$ (17,719)	\$ (12,776)

**EXCESS (DEFICIENCY) OF REVENUES OVER
EXPENDITURES**

\$ 7,127	\$ (53,464)	\$ (3,839)	\$ (78,123)	\$ 89,753	\$ 10,745	\$ (34,928)	\$ (66,406)
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COMMUNITY FUTURES ELK ISLAND REGION
Statement of Changes in Fund Balances
Year Ended March 31, 2019

	General Account	Special Projects	Non Repayable Investments	Repayable Investments	Disabled Investments	2019	2018
FUND BALANCES - BEGINNING OF YEAR							
Deficiency of revenues over expenditures	\$ 103,551	\$ 70,513	\$ 3,412,117	\$ 1,008,807	\$ 314,926	\$ 4,909,914	\$ 4,976,320
Approved fund transfer	(53,464)	(3,839)	(78,123)	89,753	10,745	(34,928)	(66,406)
	-	-	-	-	-	-	-
FUND BALANCES - END OF YEAR	\$ 50,087	\$ 66,674	\$ 3,333,994	\$ 1,098,560	\$ 325,671	\$ 4,874,986	\$ 4,909,914

COMMUNITY FUTURES ELK ISLAND REGION
Statement of Cash Flows
Year Ended March 31, 2019

	General fund	Special project	Non repayable	Repayable	Disabled	Total 2018	Total 2017
OPERATING ACTIVITIES							
Excess (deficiency) of revenues	\$ (53,464)	\$ (3,839)	\$ (78,123)	\$ 89,753	\$ 10,745	\$ (34,928)	\$ (65,989)
Items not affecting cash:							
Amortization of capital assets	13,676	4,043	-	-	-	17,719	12,776
Allowance for bad debts	-	-	-	-	-	-	300,000
Write off on loans	-	-	309,214	-	-	309,214	-
	(39,788)	204	231,091	89,753	10,745	292,005	246,787
Changes in non-cash working capital:							
Accounts receivable	22,068	-	-	-	-	22,068	(9,790)
Interest receivable	-	-	(116,871)	(30,985)	(226)	(148,082)	(139,785)
Accounts payable	(10,833)	-	4,509	2,615	-	(3,709)	26,944
Prepaid expenses	-	-	-	-	-	-	2,616
Deferred income	29,606	-	-	-	-	29,606	-
	40,841	-	(112,362)	(28,370)	(226)	(100,117)	(120,015)
Cash flow from operating activities	1,053	204	118,729	61,383	10,519	191,888	126,772
INVESTING ACTIVITIES							
Purchase of fixed assets	-	-	-	-	-	-	(211,910)
Repayment (disbursed) of loan receivable	-	-	378,252	(225,564)	7,945	160,633	(618,888)
Addition to GICs	-	-	(1,214)	-	-	(1,214)	-
Building deposit	-	-	-	-	-	-	100,000
Cash flow from (used by) investing activities	-	-	377,038	(225,564)	7,945	159,419	(730,798)
FINANCING ACTIVITIES							
Interfund transfers	14,727	(11,400)	8,960	(12,334)	47	-	-
Long term debt	(7,127)	-	-	-	-	(7,127)	83,397
Cash flow from (used by) financing activities	7,600	(11,400)	8,960	(12,334)	47	(7,127)	83,397
INCREASE (DECREASE) IN CASH FLOW	8,653	(11,196)	504,727	(176,515)	18,511	344,180	(520,629)

(continues)

COMMUNITY FUTURES ELK ISLAND REGION
Statement of Cash Flows (continued)
Year Ended March 31, 2019

	General fund	Special project	Non repayable	Repayable	Disabled	Total 2018	Total 2017
Cash - beginning of year	9,190	20,324	333,178	348,342	288,689	999,723	1,520,352
CASH - END OF YEAR	\$ 17,843	\$ 9,128	\$ 837,905	\$ 171,827	\$ 307,200	\$ 1,343,903	\$ 999,723

COMMUNITY FUTURES ELK ISLAND REGION

Notes to Financial Statements

Year Ended March 31, 2019

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.

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COMMUNITY FUTURES ELK ISLAND REGION

Notes to Financial Statements

Year Ended March 31, 2019

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 impaired 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

	2019	2018
General trade receivable	\$ 4,164	\$ 22,417
Receivable from federal government	11,622	15,436
	<u>\$ 15,786</u>	<u>\$ 37,853</u>

3. INTEREST RECEIVABLE

	2019	2018
Loan interest receivable	\$ 606,536	\$ 458,454
Allowance for doubtful accounts	(35,581)	(35,581)
	<u>\$ 570,955</u>	<u>\$ 422,873</u>

COMMUNITY FUTURES ELK ISLAND REGION**Notes to Financial Statements****Year Ended March 31, 2019**

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	2019 Net book value	2018 Net book value
Buildings	\$ 191,700	\$ 11,349	\$ 180,351	\$ 187,866
Computer equipment	74,197	72,041	2,156	5,081
Computer software	16,597	13,250	3,347	5,447
Furniture and fixtures	81,973	81,177	796	1,932
Leasehold improvements	20,209	6,063	14,146	18,188
	<u>\$ 384,676</u>	<u>\$ 183,880</u>	<u>\$ 200,796</u>	<u>\$ 218,514</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

	2019	2018
Trade accounts payable	\$ 21,527	\$ 20,702
Excess loan payments payable	-	-
	<u>\$ 21,527</u>	<u>\$ 20,702</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, 2019

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	\$ 563,520	\$ 309,214	\$ 309,214	\$ 563,520
Loan investment fund - repayable	65,688	-	-	65,688
	<u>\$ 629,208</u>	<u>\$ 309,214</u>	<u>\$ 309,214</u>	<u>\$ 629,208</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, 2019.

(a) (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, 2019

11. EXTERNALLY RESTRICTED NET ASSETS

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

	2019	2018
General	\$ 3,333,994	\$ 3,412,117
Conditionally repayable fund	1,098,560	1,008,807
Conditionally repayable disabled fund	325,671	314,926
	<u>\$ 4,758,225</u>	<u>\$ 4,735,850</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 terms 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, 2019.

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 2018-19 were \$30,851.

At December 31, 2019, the LAPP disclosed an actuarial surplus of \$3.5 billion.

13. ECONOMIC DEPENDENCE

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

COMMUNITY FUTURES ELK ISLAND REGION**Notes to Financial Statements****Year Ended March 31, 2019****14. LONG TERM DEBT**

	<u>2019</u>	<u>2018</u>
ATB Financial loan bearing interest at 5.05% per annum, repayable in monthly blended payments of \$950. The loan matures on April 30, 2027 and is secured by Marketable security with a value of \$90000	<u>\$ 76,269</u>	<u>\$ 83,396</u>
	76,269	83,396
Amounts payable within one year	<u>(7,651)</u>	<u>(7,280)</u>
	<u>\$ 68,618</u>	<u>\$ 76,116</u>

Principal repayment terms are approximately:

2020	\$ 7,651
2021	8,062
2022	8,485
2023	8,930
2024	9,393
Thereafter	<u>33,748</u>
	<u>\$ 76,269</u>