

COMMUNITY FUTURES ELK ISLAND REGION

FINANCIAL STATEMENT

March 31, 2016

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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, 2016 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, 2016, 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 15, 2016


John M. Beale, CMA
Certified Management Accountant

COMMUNITY FUTURES ELK ISLAND REGION
STATEMENT OF FINANCIAL POSITION

March 31, 2016

ASSETS

	General Fund	Special Projects Fund	LOAN INVESTMENT FUNDS		2016 TOTAL	2015 TOTAL
			Non-Repayable	Repayable		
<u>CURRENT ASSETS</u>						
Cash	\$ 79,825	\$ 51,371	\$ 730,125	\$ 472,015	\$ 1,608,404	\$ 1,269,785
Accounts Receivable (Note 3)	33,369	-	-	-	33,369	5,126
Interest Receivable (Note 4)	-	-	180,065	29,807	211,850	195,977
Inter Fund Receivable (Note 5)	-	21,550	122,049	700	144,299	21,550
Prepaid Expenses	6,571	-	-	-	6,571	617
Total Current Assets	119,765	72,921	1,032,239	502,522	2,004,493	1,493,055
<u>CAPITAL ASSETS</u>						
(Note 6)	17,034	-	-	-	17,034	20,557
<u>OTHER ASSETS</u>						
(Note 7)						
Investment Loans Receivable	-	-	3,625,338	435,545	4,207,508	4,454,004
	\$ 136,799	\$ 72,921	\$ 4,657,577	\$ 938,067	\$ 6,229,035	\$ 5,967,616

COMMUNITY FUTURES ELK ISLAND REGION
STATEMENT OF FINANCIAL POSITION

March 31, 2016

LIABILITIES and FUND BALANCES

CURRENT LIABILITIES

	General Fund	Special Projects Fund	LOAN INVESTMENT FUNDS			2016 TOTAL	2015 TOTAL
			Non-Repayable	Repayable	Disabled		
Accounts Payable (Note 8)	\$ 5,352	\$ -	\$ 5,700	\$ -	\$ -	\$ 11,052	\$ 45,573
Inter Fund Payable (Note 5)	9,299	-	-	-	135,000	144,299	21,550
Loans Payable (Note 9)	-	-	1,300,000	-	-	1,300,000	1,300,000
Total Current Liabilities	14,651	-	1,305,700	-	135,000	1,455,351	1,367,123

FUND BALANCES

Invested in Capital Assets	17,034	-	-	-	-	17,034	20,557
Externally Restricted (Note 10)	-	-	3,351,877	938,067	288,671	4,578,615	4,419,506
Unrestricted	105,114	72,921	-	-	-	178,035	160,430
	122,148	72,921	3,351,877	938,067	288,671	4,773,684	4,600,493
	\$ 136,799	\$ 72,921	\$ 4,657,577	\$ 938,067	\$ 423,671	\$ 6,229,035	\$ 5,967,616

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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	FOR THE YEAR ENDED March 31st		
	2016	2016	2015
	BUDGET	ACTUAL	ACTUAL
	(Unaudited)		
<u>REVENUE</u>			
Operating grants			
- Western Economic Diversification	\$ 294,963	\$ 323,744	\$ 294,963
- Special Programs	244,561	242,735	105,352
Loan Fees	23,332	11,045	13,850
Service & Miscellaneous Income	-	5,796	1,780
Interest Income	180	47	412
	<u>563,036</u>	<u>583,367</u>	<u>416,357</u>
<u>EXPENDITURES</u>			
Wages and Benefits	460,240	458,876	264,262
Rent	18,870	19,125	17,665
Travel and Subsistence - Staff	10,860	14,277	11,017
Professional Development	11,000	10,906	12,187
Travel and Subsistence - Directors	10,700	10,040	10,968
Office Supplies	8,808	9,006	15,796
Telephone	8,400	7,827	7,522
Licences, Memberships, Subscriptions	6,226	6,651	6,981
Economic Development Projects	6,632	5,867	4,782
Utilities	5,640	4,238	4,834
Assets Purchased	-	4,168	12,897
Professional Fees	4,000	4,000	4,000
Advertising	5,400	3,322	10,093
Insurance	3,500	2,964	2,720
G.S.T. Expense	-	1,933	1,933
Credit checks, client expense	2,400	1,825	1,658
Postage and Freight	360	404	226
Economic Development Promotion	-	348	932
	<u>563,036</u>	<u>565,777</u>	<u>390,472</u>
<u>TRANSFERS</u>			
Inter Fund Transfers	-	-	(9,550)
Excess (deficiency) of revenue over expenses	-	17,590	16,335
Increase (Decrease) in Unexpended Funds		-	(51,852)
Capital Assets Purchased		4,168	12,897
Amortization of Capital Assets		(7,691)	(5,838)
Operating Fund Balance, Beginning of year		<u>108,081</u>	<u>136,539</u>
Operating Fund Balance, End of Year	<u>-</u>	<u>\$ 122,148</u>	<u>\$ 108,081</u>

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

	<u>FOR THE YEAR ENDED March 31st</u>	
	<u>2016</u>	<u>2015</u>
	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUE</u>		
Interest	\$ 15	\$ 112
Special Projects	-	6,000
Rentals	-	4,053
	<u>-</u>	<u>10,165</u>
<u>EXPENDITURES</u>		
Bank Charges	<u>-</u>	<u>-</u>
<u>TRANSFERS</u>		
Inter Fund Transfers	<u>-</u>	<u>15,550</u>
Excess (deficiency) of revenue over expenses	15	25,715
Capital Assets Purchased		
Amortization of Capital Assets	-	(2,246)
Special Projects Fund Balance, Beginning of year	<u>72,906</u>	<u>49,437</u>
Special Projects Fund Balance, End of Year	\$ <u>72,921</u>	\$ <u>72,906</u>

COMMUNITY FUTURES ELK ISLAND REGION
STATEMENT OF INCOME AND CHANGES IN RESTRICTED FUND BALANCES
YEAR ENDED MARCH 31, 2016

	LOAN INVESTMENT FUNDS		2016	2015
	Non-Repayable	Repayable	Disabled	TOTAL
<u>REVENUE</u>				
Investment Interest	\$ 241,655	\$ 30,836	\$ 8,137	\$ 237,159
Bank Interest	99	115	5,917	7,142
	<u>241,754</u>	<u>30,951</u>	<u>14,054</u>	<u>244,301</u>
<u>EXPENSES</u>				
Provision for Investment Losses	91,710	-	-	91,710
Interest & Bank Charges	35,824	-	-	35,824
Client Costs	116	-	-	116
	<u>127,650</u>	<u>-</u>	<u>-</u>	<u>127,650</u>
Income before the following items	114,104	30,951	14,054	159,109
Interfund Transfer	-	-	-	-
				<u>6,000</u>
Excess (deficiency) of revenue over expenses	114,104	30,951	14,054	145,871
FUND BALANCE, beginning of year	<u>3,237,773</u>	<u>907,116</u>	<u>274,617</u>	<u>4,419,506</u>
FUND BALANCE, end of year	<u>\$ 3,351,877</u>	<u>\$ 938,067</u>	<u>\$ 288,671</u>	<u>\$ 4,419,506</u>

COMMUNITY FUTURES ELK ISLAND REGION

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STATEMENT OF CASH FLOW

Year ended MARCH 31, 2016

	General Fund	Building Fund	LOAN INVESTMENT FUNDS			2016 TOTAL	2015 TOTAL
			Non-Repayable	Repayable	Disabled		
SOURCES OF CASH							
WD Contributions	\$ 323,744	\$ -	\$ -	\$ -	-	\$ 323,744	\$ 271,499
Investment Income	47	15	232,742	26,023	12,121	270,948	250,722
Other Contributions	214,492	-	-	-	-	214,492	59,500
Other	16,841	-	-	-	-	16,841	19,683
Loan Received	-	-	-	-	-	-	-
Investment Loan Repayments	-	-	697,013	62,956	5,405	765,374	1,101,388
	555,124	15	929,755	88,979	17,526	1,591,399	1,702,792
USES OF CASH							
Salaries & Benefits	464,574	-	-	-	-	464,574	265,961
Materials & Services	113,183	-	-	-	-	113,183	109,266
Interest Expense	-	-	35,824	-	-	35,824	38,763
Change in Capital Assets	4,168	-	-	-	-	4,168	12,897
Investment Loan Advances	-	-	499,931	100	135,000	635,031	966,578
	581,925	-	535,755	100	135,000	1,252,780	1,393,465
Net Increase (Decrease) in Cash	(26,801)	15	394,000	88,879	(117,474)	338,619	309,327
CASH, Beginning of Year	111,214	51,356	465,837	383,836	257,542	1,269,785	960,458
Change in Interfund Transfers	(4,588)	-	(129,712)	(700)	135,000	-	-
CASH, End of Year	\$ 79,825	\$ 51,371	\$ 730,125	\$ 472,015	\$ 275,068	\$ 1,608,404	\$ 1,269,785

John M. Beale, CMA

COMMUNITY FUTURES ELK ISLAND REGION
NOTES TO FINANCIAL STATEMENTS
March 31, 2016

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 REGIONNOTES TO FINANCIAL STATEMENTSMarch 31, 2016

(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>2016</u>	<u>2015</u>
General trade receivable	\$ 27,130	\$ 820
Receivable from federal government	<u>6,239</u>	<u>4,306</u>
	<u>\$ 33,369</u>	<u>\$ 5,126</u>

4. INTEREST RECEIVABLE

	<u>2016</u>	<u>2015</u>
Loan Interest Receivable	\$ 247,431	\$ 251,502
Allowance for doubtful accounts	<u>35,581</u>	<u>55,525</u>
	<u>\$ 211,850</u>	<u>\$ 195,977</u>

COMMUNITY FUTURES ELK ISLAND REGION
NOTES TO FINANCIAL STATEMENTS
March 31, 2016

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 2016	March 2015
	<u>COST</u>	<u>ACCUMULATED AMORTIZATION</u>	<u>NET BOOK VALUE</u>	<u>NET BOOK VALUE</u>
Furniture & Equipment	\$ 89,783	\$ 85,577	\$ 4,206	\$ 2,475
Computer Equipment	76,484	67,456	9,028	12,762
Software	9,902	6,102	3,800	5,320
	\$ <u>176,169</u>	\$ <u>159,135</u>	\$ <u>17,034</u>	\$ <u>20,557</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>2016</u>	<u>2015</u>
Trade accounts payable	\$ 5,352	\$ 15,546
Excess loan payments payable	5,700	30,027
	\$ <u>11,052</u>	\$ <u>45,573</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>2016</u>	<u>2015</u>
<u>Loan Investment Funds</u>		
Loan investment funds restricted to loans and equity investments to entrepreneurs		
- General	\$ 3,351,877	\$ 3,237,773
- Conditionally Repayable Fund	938,067	907,116
- Conditionally Repayable Disabled Fund	288,671	274,617
	\$ <u>4,578,615</u>	\$ <u>4,419,506</u>

COMMUNITY FUTURES ELK ISLAND REGIONNOTES TO FINANCIAL STATEMENTSMarch 31, 2016

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. 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:

	2015 Provision Endingfor Credit Balance	Losses	Actual Write Offs	2016 Ending Balance
Loan Investment Fund -General	\$ 304,985	\$ 91,710	\$ 166,947	\$ 229,748
Loan Investment Fund -Repayable	65,688	-	-	65,688
Loan Investment Fund -Disabled	-	-	-	-
	<u>\$ 370,673</u>	<u>\$ 91,710</u>	<u>\$ 166,947</u>	<u>\$ 295,436</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.

COMMUNITY FUTURES ELK ISLAND REGION
NOTES TO FINANCIAL STATEMENTS
March 31, 2016

12. FINANCIAL INSTRUMENTS

Risks 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, 2016

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.

13. ECONOMIC DEPENDENCE

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

14. COMPARATIVE FIGURES

Comparative figures have been adjusted to reflect current reporting format.