

**COMMUNITY FUTURES ELK ISLAND REGION**  
**Financial Statements**  
**Year Ended March 31, 2018**

COMMUNITY FUTURES ELK ISLAND REGION  
Index to Financial Statements  
Year Ended March 31, 2018

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	Page
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	2 - 3
Statement of Revenues and Expenditures	4 - 5
Statement of Changes in Fund Balances	6
Statement of Cash Flows	7 - 8
Notes to Financial Statements	9 - 14



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CHARTERED PROFESSIONAL ACCOUNTANTS (CPA)

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## INDEPENDENT AUDITOR'S REPORT

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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, 2018 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, 2018 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.

*NCube & Landry LLP*

Two Hills, AB  
July 25, 2018

Chartered Professional Accountants

COMMUNITY FUTURES ELK ISLAND REGION  
Statement of Financial Position  
March 31, 2018

	General Fund	Special project fund	Restricted Non-repayable	Restricted Repayable	Restricted Disabled	Total 2018	Total 2017
<b>ASSETS</b>							
<b>CURRENT</b>							
Cash	\$ 9,190	\$ 20,324	\$ 333,178	\$ 348,342	\$ 288,689	\$ 999,723	\$ 1,520,352
Term deposits	-	-	90,000	-	-	90,000	90,000
Accounts receivable (Note 2)	37,854	-	-	-	-	37,854	28,064
Inter fund receivable	-	32,001	156,800	-	-	188,801	32,384
Interest receivable (Note 3)	-	-	364,833	56,097	1,943	422,873	283,089
Prepaid expenses	1,100	-	-	-	-	1,100	3,716
Building deposit	-	-	-	-	-	-	100,000
<b>CAPITAL ASSETS (Net) (Note 5)</b>	48,144	52,325	944,811	404,439	290,632	1,740,351	2,057,605
<b>LOANS AND NOTES RECEIVABLE</b>	200,326	18,188	-	-	-	218,514	19,382
	-	-	3,781,530	756,079	25,565	4,563,174	4,244,286
	\$ 248,470	\$ 70,513	\$ 4,726,341	\$ 1,160,518	\$ 316,197	\$ 6,522,039	\$ 6,321,273

COMMUNITY FUTURES ELK ISLAND REGION  
Statement of Financial Position  
March 31, 2018

	General Fund	Special project fund	Restricted Non-repayable	Restricted Repayable	Restricted Disabled	Total 2018	Total 2017
<b>LIABILITIES AND FUND BALANCES</b>							
<b>CURRENT</b>							
Accounts payable (Note 7)	\$ 19,769	\$ -	\$ 14,224	\$ 5,003	\$ -	\$ 38,996	\$ 12,052
Current portion of long term debt (Note 14)	7,280	-	-	-	-	7,280	-
Inter fund payable	40,821	-	-	146,708	1,271	188,800	32,384
	67,870	-	14,224	151,711	1,271	235,076	44,436
	76,117	-	1,300,000	-	-	1,376,117	1,300,000
	143,987	-	1,314,224	151,711	1,271	1,611,193	1,344,436
<b>FUND BALANCES</b>							
Invested in capital assets	116,930	18,189	-	-	-	135,119	19,382
Unrestricted	(12,447)	52,324	-	-	-	39,877	230,159
Externally restricted	-	-	3,712,117	1,008,807	314,926	5,035,850	4,727,296
	104,483	70,513	3,712,117	1,008,807	314,926	5,210,846	4,976,837
	104,483	70,513	3,712,117	1,008,807	314,926	5,210,846	4,976,837
	\$ 248,470	\$ 70,513	\$ 5,026,341	\$ 1,160,518	\$ 316,197	\$ 6,822,039	\$ 6,321,273

APPROVED ON BEHALF OF THE BOARD

Director

Director

*June Salaga*

COMMUNITY FUTURES ELK ISLAND REGION  
Statement of Revenues and Expenditures  
Year Ended March 31, 2018

	General Account Budget	General Account Actual	Special Projects	Non Repayable Investments	Repayable Investments	Disabled Investments	Total 2018	Total 2017
<b>REVENUES</b>								
Western economic diversification	\$ 294,963	\$ 266,054	\$ -	\$ -	\$ -	\$ -	\$ 266,054	\$ 295,091
Special programs	270,600	273,367	-	-	-	-	273,367	256,037
Service and miscellaneous income	70,719	38,548	-	-	-	-	38,548	43,419
Interest income	-	-	63	-	-	7,066	7,129	6,424
Investment interest	-	-	-	300,430	48,433	2,945	351,808	274,327
	636,282	577,969	63	300,430	48,433	10,011	936,906	875,298
<b>EXPENDITURES</b>								
Salaries, wages and benefits	503,481	489,692	-	-	-	-	489,692	505,983
Supplies	32,350	44,914	-	-	-	-	44,914	13,019
Travel and subsistence - staff	19,400	18,032	-	-	-	-	18,032	17,404
Rental	18,000	16,677	-	-	-	-	16,677	18,701
Advertising and promotion	8,400	10,113	-	-	-	-	10,113	16,522
Telephone	8,400	9,080	-	-	-	-	9,080	7,500
Business taxes, licenses and memberships	4,868	8,670	-	-	-	-	8,670	7,311
Utilities	8,300	7,355	-	-	-	-	7,355	4,130
Projects	7,500	7,034	-	-	-	-	7,034	15,400
Professional fees	4,500	5,090	-	-	-	-	5,090	4,500
Property taxes	-	5,018	-	-	-	-	5,018	-
Insurance	5,223	4,996	-	-	-	-	4,996	3,194
Travel and subsistence - director	8,900	4,039	-	-	-	-	4,039	5,090
Interest on long term debt	-	3,846	-	46,566	-	-	50,412	32,070
Professional development	4,200	3,280	-	-	-	-	3,280	12,521
Credit checks, client expense	2,400	1,428	-	-	-	-	1,428	1,125
Delivery, freight and express	360	85	-	-	-	-	85	59
Interest and bank charges	-	-	450	-	-	-	516	-
Bad debts	-	-	-	300,000	-	-	300,000	-
Client cost	-	-	-	3,688	-	-	3,688	-
GST expense	-	-	-	-	-	-	-	1,539

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COMMUNITY FUTURES ELK ISLAND REGION  
Statement of Revenues and Expenditures (continued)  
Year Ended March 31, 2018

	General Account Budget	General Account Actual	Special Projects	Non Repayable Investments	Repayable Investments	Disabled Investments	Total 2018	Total 2017
	636,282	639,349	450	350,320	-	-	990,119	666,068
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES FROM OPERATIONS	-	(61,380)	(387)	(49,890)	48,433	10,011	(53,213)	209,230
OTHER ITEMS								
Amortization of capital assets	\$ -	\$ (10,755)	\$ (2,021)	\$ -	\$ -	\$ -	\$ (12,776)	\$ (6,079)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ -	\$ (72,135)	\$ (2,408)	\$ (49,890)	\$ 48,433	\$ 10,011	\$ (65,989)	\$ 203,151

COMMUNITY FUTURES ELK ISLAND REGION  
Statement of Changes in Fund Balances  
Year Ended March 31, 2018

	General Account	Special Projects	Non Repayable Investments	Repayable Investments	Disabled Investments	2018	2017
<b>FUND BALANCES - BEGINNING OF YEAR</b>							
Deficiency of revenues over expenditures	\$ 176,618	\$ 72,921	\$ 3,462,007	\$ 960,374	\$ 304,915	\$ 4,976,835	\$ 4,773,684
Approved fund transfer	(72,135)	(2,408)	(49,890)	48,433	10,011	(65,989)	203,151
<b>FUND BALANCES - END OF YEAR</b>	\$ 104,483	\$ 70,513	\$ 3,412,117	\$ 1,008,807	\$ 314,926	\$ 4,910,846	\$ 4,976,835



COMMUNITY FUTURES ELK ISLAND REGION

Statement of Cash Flows

Year Ended March 31, 2018

	General fund	Special project	Non repayable	Repayable	Disabled	Total 2018	Total 2017
<b>OPERATING ACTIVITIES</b>							
Excess (deficiency) of revenues	\$ (72,135)	\$ (2,408)	\$ (49,890)	\$ 48,433	\$ 10,011	\$ (65,989)	\$ 203,151
Items not affecting cash:							
Amortization of capital assets	10,755	2,021	-	-	-	12,776	6,079
Allowance for bad debts	-	-	300,000	-	-	300,000	-
	(61,380)	(387)	250,110	48,433	10,011	246,787	209,230
Changes in non-cash working capital:							
Accounts receivable	(9,790)	-	-	-	-	(9,790)	8,851
Interest receivable	-	-	(119,136)	(20,684)	35	(139,785)	(71,239)
Accounts payable	15,309	-	6,632	5,003	-	26,944	1,002
Prepaid expenses	2,616	-	-	-	-	2,616	2,855
Goods and services tax payable	-	-	-	-	-	-	(3,546)
	8,135	-	(112,504)	(15,681)	35	(120,015)	(62,077)
Cash flow from operating activities	(53,245)	(387)	137,606	32,752	10,046	126,772	147,153
<b>INVESTING ACTIVITIES</b>							
Purchase of fixed assets	(191,700)	(20,210)	-	-	-	(211,910)	(8,426)
Repayment of loans and notes receivable	-	-	(277,761)	(359,600)	18,473	(618,888)	(36,778)
Building deposit	100,000	-	-	-	-	100,000	(100,000)
Cash flow from (used by) investing activities	(91,700)	(20,210)	(277,761)	(359,600)	18,473	(730,798)	(145,204)
<b>FINANCING ACTIVITIES</b>							
Interfund transfers	51,654	(10,450)	(184,204)	145,158	(2,158)	-	-
Long term debt	83,397	-	-	-	-	83,397	-
Cash flow from (used by) financing activities	135,051	(10,450)	(184,204)	145,158	(2,158)	83,397	-
<b>INCREASE (DECREASE) IN CASH FLOW</b>	(9,894)	(31,047)	(324,359)	(181,690)	26,361	(520,629)	1,949
Cash - beginning of year	19,084	51,371	657,537	530,032	262,328	1,520,352	1,518,403

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COMMUNITY FUTURES ELK ISLAND REGION  
 Statement of Cash Flows (continued)  
 Year Ended March 31, 2018

	General fund	Special project	Non repayable	Repayable	Disabled	Total 2018	Total 2017
CASH - END OF YEAR	\$ 9,190	\$ 20,324	\$ 333,178	\$ 348,342	\$ 288,689	\$ 999,723	\$ 1,520,352

## COMMUNITY FUTURES ELK ISLAND REGION

### Notes to Financial Statements

Year Ended March 31, 2018

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#### 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.

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#### 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, 2018

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#### 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.

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#### 2. ACCOUNTS RECEIVABLE

	2018	2017
General trade receivable	\$ 22,417	\$ 18,279
Receivable from federal government	15,436	9,785
	<u>\$ 37,853</u>	<u>\$ 28,064</u>

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#### 3. INTEREST RECEIVABLE

	2018	2017
Loan interest receivable	\$ 458,454	\$ 318,670
Allowance for doubtful accounts	(35,581)	(35,581)
	<u>\$ 422,873</u>	<u>\$ 283,089</u>

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## COMMUNITY FUTURES ELK ISLAND REGION

### Notes to Financial Statements

Year Ended March 31, 2018

#### 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	2018 Net book value	2017 Net book value
Buildings	\$ 191,700	\$ 3,834	\$ 187,866	\$ -
Computer equipment	74,197	69,116	5,081	19,835
Computer software	16,597	11,150	5,447	8,306
Furniture and fixtures	81,973	80,041	1,932	(8,759)
Leasehold improvements	20,209	2,021	18,188	-
	<u>\$ 384,676</u>	<u>\$ 166,162</u>	<u>\$ 218,514</u>	<u>\$ 19,382</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

	2018	2017
Trade accounts payable	\$ 19,769	\$ 4,460
Excess loan payments payable	-	7,592
	<u>\$ 19,769</u>	<u>\$ 12,052</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, 2018

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#### 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	\$ 263,520	\$ 300,000	\$ -	\$ 563,520
Loan investment fund - repayable	67,496	-	-	67,496
	<u>\$ 331,016</u>	<u>\$ 300,000</u>	<u>\$ -</u>	<u>\$ 631,016</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.

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#### 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, 2018.

##### **(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.

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## COMMUNITY FUTURES ELK ISLAND REGION

### Notes to Financial Statements

Year Ended March 31, 2018

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#### 11. EXTERNALLY RESTRICTED NET ASSETS

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

	2018	2017
General	\$ 3,412,117	\$ 3,462,007
Conditionally repayable fund	1,008,807	960,374
Conditionally repayable disabled fund	314,926	304,915
	<u>\$ 4,735,850</u>	<u>\$ 4,727,296</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, 2018.

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#### 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, 2018, the LAPP disclosed an actuarial surplus of \$4.87 billion.

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#### 13. ECONOMIC DEPENDENCE

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

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**COMMUNITY FUTURES ELK ISLAND REGION****Notes to Financial Statements****Year Ended March 31, 2018****14. LONG TERM DEBT**

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>2018</u>	<u>2017</u>
	\$ 83,396	\$ -
	83,396	-
Amounts payable within one year	(7,280)	-
	<u>\$ 76,116</u>	<u>\$ -</u>

Principal repayment terms are approximately:

2019	\$ 7,280
2020	7,651
2021	8,062
2022	8,485
2023	8,930
Thereafter	42,988
	<u>\$ 83,396</u>