

COMMUNITY FUTURES ALBERTA SOUTHWEST

Financial Statements

For the year ended March 31, 2013

COMMUNITY FUTURES ALBERTA SOUTHWEST
TABLE OF CONTENTS
For the year ended March 31, 2013

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENT OF FINANCIAL POSITION	2
STATEMENT OF OPERATIONS	3
STATEMENT OF CHANGES IN FUND BALANCES	4
STATEMENT OF CASH FLOWS	5
NOTES TO THE FINANCIAL STATEMENTS	6 - 10
SCHEDULE TO THE FINANCIAL STATEMENTS	11

Young Parkyn McNab LLP

CHARTERED ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To: The Board of Directors of
Community Futures Alberta Southwest

We have audited the accompanying financial statements of Community Futures Alberta Southwest which comprise the statement of financial position as at March 31, 2013, and the statements of operations, 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 auditors' judgement, 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 auditors' consider 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 Alberta Southwest as at March 31, 2013 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.

Comparative Information

Without modifying our opinion, we draw attention to note 3 of the financial statements which describes that Community Futures Alberta Southwest adopted Canadian accounting standards for not-for-profits on April 1, 2012 with a transition date of April 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statement of financial position as of March 31, 2012 and the statements of operations and cash flows for the year ended March 31, 2012 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

Lethbridge, Alberta
June 24, 2013

Young Parkyn McNab LLP

Chartered Accountants

COMMUNITY FUTURES ALBERTA SOUTHWEST
STATEMENT OF FINANCIAL POSITION
As at March 31, 2013

	Operating Fund	Loan investment funds			2013 Total	2012 Total
		Non-Repayable	Repayable	Repayable Disability		
ASSETS						
Current assets						
Cash	\$ 134,831	\$ 851,546	\$ 1,332,641	\$ 236,631	\$ 2,555,649	\$ 2,545,087
Accounts receivable	5,164	-	-	-	5,164	5,257
Interfund receivable	-	61,152	-	-	61,152	66,247
Inventory	14,243	-	-	-	14,243	-
Prepaid expenses	2,563	-	-	-	2,563	2,563
Current portion of loans receivable	-	66,458	29,017	1,467	96,942	87,488
	156,801	979,156	1,361,658	238,098	2,735,713	2,706,642
Loans receivable (note 5)	-	619,047	234,585	13,659	867,291	836,231
Capital assets (note 6)	5,005	-	-	-	5,005	7,781
	\$ 161,806	\$ 1,598,203	\$ 1,596,243	\$ 251,757	\$ 3,608,009	\$ 3,550,654
LIABILITIES AND FUND BALANCES						
Current liabilities						
Accounts payable and accrued liabilities	\$ 11,897	\$ -	\$ -	\$ -	\$ 11,897	\$ 71,014
Deferred revenue (note 7)	24,580	-	-	-	24,580	-
Interfund payable	61,152	-	-	-	61,152	66,247
	97,629	-	-	-	97,629	137,261
Repayable investment funds (note 8)	-	-	800,000	200,000	1,000,000	1,000,000
	97,629	-	800,000	200,000	1,097,629	1,137,261
Fund balances						
Invested in capital assets	5,005	-	-	-	5,005	7,781
Externally restricted	-	1,598,203	796,243	51,757	2,446,203	2,359,922
Unrestricted	59,172	-	-	-	59,172	45,690
	64,177	1,598,203	796,243	51,757	2,510,380	2,413,393
	\$ 161,806	\$ 1,598,203	\$ 1,596,243	\$ 251,757	\$ 3,608,009	\$ 3,550,654

Approved on behalf of the board

Director _____

Director _____

COMMUNITY FUTURES ALBERTA SOUTHWEST
STATEMENT OF OPERATIONS
For the year ended March 31, 2013

	Operating Fund	Loan investment funds			2013 Total	2012 Total
		Non- Repayable	Repayable	Repayable Disability		
Revenue						
Operating grant	\$ 294,963	\$ -	\$ -	\$ -	\$ 294,963	\$ 294,963
Interest						
- clients	-	45,913	18,762	1,151	65,826	75,053
- bank	3,271	25,693	13,207	870	43,041	37,727
Miscellaneous	7,790	-	-	-	7,790	6,706
Town of Pincher Creek	12,000	-	-	-	12,000	12,000
Unrealized gain on investments	-	-	685	-	685	10,371
	318,024	71,606	32,654	2,021	424,305	436,820
Expenses (schedule 1)	307,318	-	20,000	-	327,318	346,055
Excess of revenue over expenses	\$ 10,706	\$ 71,606	\$ 12,654	\$ 2,021	\$ 96,987	\$ 90,765

COMMUNITY FUTURES ALBERTA SOUTHWEST
STATEMENT OF CHANGES IN FUND BALANCES
For the year ended March 31, 2013

	Operating Fund	Loan investment funds			2013 Total	2012 Total
		Non-Repayable	Repayable	Repayable Disability		
Fund balances						
Equity in capital assets, beginning of year	\$ 7,781	\$ -	\$ -	\$ -	\$ 7,781	\$ 11,666
Purchase of capital assets	-	-	-	-	-	666
Amortization	(2,776)	-	-	-	(2,776)	(4,551)
Equity in capital assets, end of year	5,005	-	-	-	5,005	7,781
Externally restricted funds, beginning of year	-	1,526,597	783,589	49,736	2,359,922	2,226,335
Excess of revenue over expenses	-	71,606	12,654	2,021	86,281	121,587
Interfund transfers	-	-	-	-	-	12,000
Externally restricted funds, end of year	-	1,598,203	796,243	51,757	2,446,203	2,359,922
Unrestricted funds, beginning of year	45,690	-	-	-	45,690	84,627
Purchase of capital assets	-	-	-	-	-	(666)
Excess (deficiency) of revenue over expenses	10,706	-	-	-	10,706	(30,822)
Amortization	2,776	-	-	-	2,776	4,551
Interfund transfers	-	-	-	-	-	(12,000)
Unrestricted funds, end of year	59,172	-	-	-	59,172	45,690
	\$ 64,177	\$ 1,598,203	\$ 796,243	51,757	\$ 2,510,380	\$ 2,413,393

COMMUNITY FUTURES ALBERTA SOUTHWEST
STATEMENT OF CASH FLOWS
For the year ended March 31, 2013

	Operating Fund	Loan investment funds			2013 Total	2012 Total
		Non-Repayable	Repayable	Repayable Disability		
Cash flows from operating activities						
Excess of revenue over expenses	\$ 10,706	\$ 71,606	\$ 12,654	\$ 2,021	\$ 96,987	\$ 90,765
Items not involving cash:						
Provision for credit losses	-	-	20,000	-	20,000	-
Amortization	2,776	-	-	-	2,776	4,551
	13,482	71,606	32,654	2,021	119,763	95,316
Net change in non-cash working capital items						
Accounts receivable	93	-	-	-	93	3,017
Interfund receivable/payable	19,139	(1,152)	(24,234)	6,247	-	-
Inventory	(14,243)	-	-	-	(14,243)	-
Prepaid expenses	-	-	-	-	-	2,200
Accounts payable and accrued liabilities	(59,115)	-	-	-	(59,115)	63,541
Deferred revenue	24,580	-	-	-	24,580	-
Deferred revenue	-	-	-	-	-	(60,000)
	(16,064)	70,454	8,420	8,268	71,078	104,074
Loan payments	-	359,079	140,209	5,387	504,675	490,174
Accrued interest on loan portfolio	-	740	1,073	(50)	1,763	3,379
Loan advances	-	(427,762)	(119,091)	(20,100)	(566,953)	(458,899)
	(16,064)	2,511	30,611	(6,495)	10,563	138,728
Cash flows from investing activities						
Purchase of capital assets	-	-	-	-	-	(666)
Cash flows from financing activities						
(Decrease) increase in cash	(16,064)	2,511	30,611	(6,495)	10,563	138,062
Cash, beginning of year	150,896	849,035	1,302,030	243,126	2,545,087	2,407,026
Cash, end of year	\$ 134,832	\$ 851,546	\$ 1,332,641	\$ 236,631	\$ 2,555,650	\$ 2,545,088

COMMUNITY FUTURES ALBERTA SOUTHWEST
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2013

1. Nature of operations

Community Futures Alberta Southwest is a community based non-profit society that has been established to provide loan and financial services to small businesses that are otherwise unable to obtain financing. The organization is registered as a society under the laws of the Province of Alberta and is exempt from income tax under paragraph 149 1(l) of the Income Tax Act.

2. Significant accounting policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant policies are detailed as follows:

(a) Cash and cash equivalents

The organization includes cash on hand, held by financial institutions in operating accounts, short-term investments, and cheques issued in excess of cash on deposit in the determination of cash and cash equivalents.

(b) Revenue recognition

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.

(c) Allowance for loan impairment

The organization maintains an allowance that reduces the carrying value of the loans to their estimated realizable amount. The allowance is increased by a charge to income and reduced by write-offs, net of recoveries. Specific provisions are established through examination of individual loans in order to reduce their book values to their estimated net realizable values. Estimated realizable values are determined by reference to their underlying security.

(d) Capital assets

Purchased property and equipment are recorded at cost. Contributed property and equipment are recorded at fair market value at the date of the contribution. Amortization is provided for on a straight-line basis over the assets's estimated useful lives.

Computer equipment	3 1/2 years
Office equipment	5 years
Leasehold improvements	5 years

In the year of acquisition these rates are reduced by one-half.

COMMUNITY FUTURES ALBERTA SOUTHWEST
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2013

2. Significant accounting policies, continued

(e) Fund accounting

The organization follows the restricted fund method of accounting for contributions.

The operating fund reports all assets, liabilities, revenue and expenses to carry out community development and administrative activities and the assets, liabilities, revenue and expenses related to the organization's property and equipment.

The non-repayable investment fund is a non-repayable contribution that is restricted in accordance with the Community Futures Program. All revenue from loans approved under the investment fund and all repayments on account of principal shall be credited to the investment fund. This agreement is in effect from the date it is signed by the Government of Canada until six years following the end of the funding period.

The repayable investment fund is a repayable contribution that is restricted in accordance with the Community Futures Program. All revenue from loans approved under the repayable investment fund and all repayments on account of principal shall be credited to the repayable investment fund. Effective April 1, 2001, the repayable western youth entrepreneur investment fund has been merged with the repayable investment fund, as per direction from the Minister of Western Economic Diversification. As a result, \$219,840 was transferred from the repayable youth fund to the repayable investment fund. The amount repayable will be the original investment contribution, net of any investment losses. Once the amount has been repaid in full, the obligation to repay the Minister will be terminated.

The repayable disability fund is a repayable contribution that is restricted in accordance with the Community Futures Program. Assistance may be provided to persons who have a disability due to physical or mental impairment such that the ability to perform at least one of the basic activities of self-employment or entrepreneurship is restricted. The maximum for any one business will normally be \$150,000.

Loans approved and disbursed under the non-repayable investment fund, repayable investment fund and the repayable disability fund are made for the purpose of investing in local businesses. The organization must demonstrate that the funds will be used to develop and diversify the local economy, to create or maintain employment by assisting local businesses to stabilize or expand, or to help entrepreneurs create new local businesses. Assistance to businesses will be provided in the form of loans, loan guarantees or equity participation.

(f) Equity in capital assets

The organization has chosen to continue to treat equity in capital assets as a separate component of fund balances.

(g) Financial instruments

The organization measures all its financial assets and financial liabilities at amortized cost with the exception of CFLIP which is measured at fair value.

COMMUNITY FUTURES ALBERTA SOUTHWEST
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2013

2. Significant accounting policies, continued

(h) 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 amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

A significant area requiring the use of management's estimates is the allowance for loan impairment. This estimate reflects management's best estimate based on the conditions and information available at the time of preparation of the financial statements. Significant changes in these conditions could result in a different impairment of loan balances.

3. Impact of the change in the basis of accounting

These are the organization's first financial statements prepared in accordance with Canadian accounting standards for not-for-profit enterprises. There were no changes as a result of adoption of these standards.

4. Bank indebtedness

Included in cash and short-term investments is a treasury bill of \$31,998 (2012 - \$77,119) bearing interest of 0.60% with no maturity date and investments held in Community Futures Lending and Investment Pool (CFLIP) of \$1,631,418 (cost of \$1,615,651). The 2012 CFLIP balance was \$1,592,625 (cost of \$1,577,543). In addition, cash includes a guaranteed investment certificate for \$300,000 (2012 - \$250,000) bearing interest at 1.90% (2012 - 1.75%). The investment matures November 2013.

5. Loans receivable

Outstanding loans to entrepreneurs are interest bearing at fixed rates varying from 6.00% to 11.25% with monthly blended principal and interest repayments amortized for terms of between 12 and 180 months. Security is taken on these loans as appropriate and includes personal guarantees, general security agreements covering personal and business assets, assignment of insurance, and mortgages on land and buildings.

	Recorded loan	Accrued interest	Allowance	Carrying value	Current portion	Long-term portion
Non-Repayable	\$ 683,017	\$ 2,488	-	\$ 685,505	\$ 66,458	\$ 619,047
Repayable	316,444	7,158	(60,000)	263,602	29,017	234,585
Repayable Disability	15,074	52	-	15,126	1,467	13,659
	\$ 1,014,535	\$ 9,698	(60,000)	\$ 964,233	\$ 96,942	\$ 867,291

COMMUNITY FUTURES ALBERTA SOUTHWEST
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2013

6. Capital assets

			2013	2012
	Cost	Accumulated amortization	Net	Net
Office equipment	84,596	79,972	4,624	7,210
Leasehold improvements	24,659	24,659	-	-
Computer equipment	103,738	103,357	381	571
	\$ 212,993	\$ 207,988	\$ 5,005	\$ 7,781

7. Deferred revenue

	2013	2012
Western Economic Diversification Funding	\$ 24,580	\$ -

8. Repayable investment funds

Western Economic Diversification contributions are required to be maintained in particular funds. These contributions are available solely for the mandate of each fund.

In prior years, Western Economic Diversification provided contributions totaling \$1,000,000 to improve access to capital for qualifying business.

Upon notice of the Minister of Western Economic Development (the "Minister"), the organization must repay the lesser of the uncommitted cash balance with each of these funds and the amount of the repayable contributions within each fund. As of March 31, 2013 no such notice has been given by the Minister.

9. Donated materials and services

During the year, the Town of Pincher Creek donated the use of office space which has been recorded at the estimated fair value of \$1,000 per month.

10. Economic dependence

The organization is economically dependent on Western Economic Diversification for its operating fund.

COMMUNITY FUTURES ALBERTA SOUTHWEST
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2013

11. Financial instruments

Credit risk

The organization is exposed to credit risk on the loans receivables with its customers. In order to reduce credit risk, the organization has adopted credit policies which include the analysis of the financial position of its customers and the regular review of their loan portfolio. The organization does not have significant exposure to any individual customer or counterpart.

Interest rate risk

Interest rate risk refers to the potential impact of changes in interest rates on the organization's earnings when maturities of its financial liabilities are not matched with the maturities of its financial assets. At March 31, 2013, the increase or decrease in net earnings for each one percent in interest rates would not have a significant effect on net earnings.

12. Comparative figures

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.

COMMUNITY FUTURES ALBERTA SOUTHWEST
SCHEDULE 1
STATEMENT OF EXPENSES
For the year ended March 31, 2013

	Operating Fund	Loan investment funds			2013 Total	2012 Total
		Non-Repayable	Repayable	Repayable Disability		
Expenses						
Wages and benefits	\$ 195,348	\$ -	\$ -	\$ -	\$ 195,348	\$ 189,858
Bad debts	-	-	20,000	-	20,000	-
Rent	18,768	-	-	-	18,768	18,741
Professional fees	15,537	-	-	-	15,537	14,197
Board member expenses	13,652	-	-	-	13,652	13,943
Community economic development	11,043	-	-	-	11,043	8,442
Travel	10,845	-	-	-	10,845	10,261
Telephone and fax	9,732	-	-	-	9,732	9,813
Office and administration	8,950	-	-	-	8,950	10,525
Advertising and promotion	4,568	-	-	-	4,568	9,716
Staff meetings/conferences	3,063	-	-	-	3,063	7,912
Insurance	2,721	-	-	-	2,721	1,618
Contract service	2,700	-	-	-	2,700	5,400
Memberships and subscriptions	2,054	-	-	-	2,054	1,844
Equipment repairs and maintenance	1,694	-	-	-	1,694	715
Program and contract delivery	1,589	-	-	-	1,589	1,435
Electronic ex-net	945	-	-	-	945	20
Maps	858	-	-	-	858	-
Resource materials	475	-	-	-	475	-
Settlement cost	-	-	-	-	-	37,064
Amortization	2,776	-	-	-	2,776	4,551
	\$ 307,318	\$ -	\$ 20,000	\$ -	\$ 327,318	\$ 346,055