

COMMUNITY FUTURES ALBERTA SOUTHWEST

Financial Statements

For the year ended March 31, 2018

COMMUNITY FUTURES ALBERTA SOUTHWEST
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For the year ended March 31, 2018

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INDEPENDENT AUDITOR'S 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, 2018, 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 auditor's 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 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 Alberta Southwest 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.

Lethbridge, Alberta



June 14, 2018

Chartered Professional Accountants

COMMUNITY FUTURES ALBERTA SOUTHWEST
STATEMENT OF FINANCIAL POSITION
As at March 31, 2018

	Operating Fund	Loan investment funds			2018 Total	2017 Total
		Non-Repayable Investment Fund	Repayable Investment Fund	Disability Fund		
ASSETS						
Current assets						
Cash and short-term investments (note 3)	\$ 5,664	\$ 673,982	\$ 1,420,212	\$ 271,306	\$ 2,371,164	\$ 2,820,775
Accounts receivable	5,385	-	-	-	5,385	2,177
Advances to other funds	-	668	-	-	668	-
Inventory	11,064	-	-	-	11,064	11,355
Current portion of loans receivable	-	107,864	38,974	-	146,838	101,719
	22,113	782,514	1,459,186	271,306	2,535,119	2,936,026
Loans receivable (note 4)	-	971,037	327,876	-	1,298,913	895,310
Capital assets (note 5)	287,539	-	-	-	287,539	171,324
	\$ 309,652	\$ 1,753,551	\$ 1,787,062	\$ 271,306	\$ 4,121,571	\$ 4,002,660
LIABILITIES AND FUND BALANCES						
Current liabilities						
Accounts payable and accrued liabilities	\$ 11,300	\$ -	\$ -	\$ -	\$ 11,300	\$ 6,335
Deferred revenue (note 6)	-	-	-	-	-	24,581
Advances from other funds	668	-	-	-	668	-
	11,968	-	-	-	11,968	30,916
Repayable investment fund (note 7)	-	-	800,000	200,000	1,000,000	1,000,000
	11,968	-	800,000	200,000	1,011,968	1,030,916
Fund balances						
Invested in capital assets	287,539	-	-	-	287,539	171,324
Externally restricted	-	1,753,551	987,062	71,306	2,811,919	2,687,567
Unrestricted	10,145	-	-	-	10,145	112,853
	297,684	1,753,551	987,062	71,306	3,109,603	2,971,744
	\$ 309,652	\$ 1,753,551	\$ 1,787,062	\$ 271,306	\$ 4,121,571	\$ 4,002,660

Approved on behalf of the board

Director David H. Edmonds

Director 

COMMUNITY FUTURES ALBERTA SOUTHWEST
STATEMENT OF OPERATIONS
For the year ended March 31, 2018

	Operating Fund	Loan investment funds			2018 Total	2017 Total
		Non-Repayable Investment Fund	Repayable Investment Fund	Disability Fund		
Revenue						
Revenue	\$ 294,964	\$ -	\$ -	\$ -	\$ 294,964	\$ 294,962
Interest						
- clients	-	57,209	16,765	-	73,974	65,542
- bank	812	17,394	34,888	6,728	59,822	55,161
Cardston ambassador project	15,155	-	-	-	15,155	-
Miscellaneous	8,451	-	-	-	8,451	8,176
Town of Pincher Creek	6,000	-	-	-	6,000	12,000
Unrealized gain on investments	-	1,347	5,335	686	7,368	37,472
	325,382	75,950	56,988	7,414	465,734	473,313
Expenses						
Wages and benefits	188,853	-	-	-	188,854	189,820
Community economic development	25,210	-	-	-	25,210	13,409
Board member expenses	17,078	-	-	-	17,078	14,772
Travel	12,347	-	-	-	12,347	12,915
Professional fees	12,096	-	-	-	12,096	11,344
Rent	9,411	-	-	-	9,411	18,822
Advertising and promotion	8,890	-	-	-	8,890	9,047
Office and administration	8,485	-	-	-	8,485	6,439
Staff meetings/conferences	6,791	-	-	-	6,791	6,165
Telephone and fax	6,757	-	-	-	6,757	7,340
Insurance	3,921	-	-	-	3,921	2,492
FDI project	3,434	-	-	-	3,434	2,017
Property taxes	2,490	-	-	-	2,490	-
Contract service	2,430	-	-	-	2,430	2,460
Memberships and subscriptions	2,174	-	-	-	2,174	1,953
Utilities	2,164	-	-	-	2,164	-
Program and contract delivery	1,300	-	-	-	1,300	1,845
Electronic ex-net	1,267	-	-	-	1,267	1,064
Resource materials	496	-	-	-	496	678
Maps	292	-	-	-	292	452
Bad debts	-	-	-	-	-	5,000
Equipment repairs and maintenance	-	-	-	-	-	506
Amortization	11,695	-	-	-	11,695	3,386
	327,581	-	-	-	327,582	311,926
Excess of revenue over expenses before other expenses	(2,199)	75,950	56,988	7,414	138,152	161,387
Other expenses						
Loss on disposal of capital assets	(294)	-	-	-	(294)	-
(Deficiency) excess of revenue over expenses	\$ (2,493)	\$ 75,950	\$ 56,988	\$ 7,414	\$ 137,859	\$ 161,387

COMMUNITY FUTURES ALBERTA SOUTHWEST
STATEMENT OF CHANGES IN FUND BALANCES
For the year ended March 31, 2018

	Operating Fund	Loan investment funds			2018 Total	2017 Total
		Non-Repayable Investment Fund	Repayable Investment Fund	Disability Fund		
Fund balances						
Equity in capital assets, beginning of year	\$ 171,324	\$ -	\$ -	\$ -	\$ 171,324	\$ 4,710
Purchase of capital assets	128,204	-	-	-	128,204	170,000
Disposal of capital assets	(294)	-	-	-	(294)	-
Amortization	(11,695)	-	-	-	(11,695)	(3,386)
Equity in capital assets, end of year	287,539	-	-	-	287,539	171,324
Externally restricted funds, beginning of year	-	1,693,601	930,074	63,892	2,687,567	2,687,725
Excess of revenue over expenses	-	75,950	56,988	7,414	140,352	149,842
Interfund transfers (note 8)	-	(16,000)	-	-	(16,000)	(150,000)
Externally restricted funds, end of year	-	1,753,551	987,062	71,306	2,811,919	2,687,567
Unrestricted funds, beginning of year	112,853	-	-	-	112,853	117,922
Purchase of capital assets	(128,204)	-	-	-	(128,204)	(170,000)
(Deficiency) excess of revenue over expenses	(2,493)	-	-	-	(2,493)	11,545
Amortization	11,695	-	-	-	11,695	3,386
Interfund transfers (note 8)	16,000	-	-	-	16,000	150,000
Disposal of capital assets	294	-	-	-	294	-
Unrestricted funds, end of year	10,145	-	-	-	10,145	112,853
	\$ 297,684	\$ 1,753,551	\$ 987,062	\$ 71,306	\$ 3,109,603	\$ 2,971,744

COMMUNITY FUTURES ALBERTA SOUTHWEST
STATEMENT OF CASH FLOWS
For the year ended March 31, 2018

	Operating Fund	Loan investment funds			2018 Total	2017 Total
		Non-Repayable Investment Fund	Repayable Investment Fund	Disability Fund		
Cash flows from operating activities						
(Deficiency) excess of revenue over expenses	\$ (2,493)	\$ 75,950	\$ 56,988	\$ 7,414	\$ 137,859	\$ 161,387
Items not involving cash:						
Loss on disposal of capital assets	294	-	-	-	294	-
Provision for credit losses	-	-	-	-	-	5,000
Amortization	11,695	-	-	-	11,695	3,386
	9,496	75,950	56,988	7,414	149,848	169,773
Net change in non-cash working capital items						
Accounts receivable	(3,208)	-	-	-	(3,208)	23,642
Advances to other funds	668	(668)	-	-	-	-
Inventory	291	-	-	-	291	453
Accounts payable and accrued liabilities	4,965	-	-	-	4,965	(2,574)
Deferred revenue	(24,581)	-	-	-	(24,581)	1
	(12,369)	75,282	56,988	7,414	127,315	191,295
Loan payments	-	130,709	134,865	-	265,574	654,617
Accrued interest on loan portfolio	-	1,182	(658)	-	524	(558)
Loan advances	-	(453,786)	(261,034)	-	(714,820)	(489,742)
	(12,369)	(246,613)	(69,839)	7,414	(321,407)	355,612
Cash flows from investing activities						
Purchase of capital assets	(128,204)	-	-	-	(128,204)	(170,000)
Interfund transfers for purchase of capital assets	16,000	(16,000)	-	-	-	-
	(112,204)	(16,000)	-	-	(128,204)	(170,000)
(Decrease) increase in cash	(124,573)	(262,613)	(69,839)	7,414	(449,611)	185,612
Cash, beginning of year	130,238	936,595	1,490,051	263,892	2,820,776	2,635,164
Cash, end of year	\$ 5,665	\$ 673,982	\$ 1,420,212	\$ 271,306	\$ 2,371,165	\$ 2,820,776

COMMUNITY FUTURES ALBERTA SOUTHWEST
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2018

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 short-term investments

Cash and short-term investments consist of amounts on deposit with banking institutions, funds held in the Community Futures Lending Investment Pool and funds held in a Guaranteed Investment Certificate.

(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' estimated useful lives.

Computer equipment	3 1/2 years
Office equipment	5 years
Building	20 years

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

(e) Investments

Investments are recorded at fair value. Changes in fair value are recognized in the statement of operations.

COMMUNITY FUTURES ALBERTA SOUTHWEST
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2018

2. **Significant accounting policies, continued**

(f) 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 \$20,000.

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.

(g) Equity in capital assets

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

(h) Financial instruments

The organization initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions. The organization subsequently measures all its financial assets and liabilities at amortized cost, with the exception of CFLIP which is measured at fair value. Changes in fair value are recognized in the statement of operations.

COMMUNITY FUTURES ALBERTA SOUTHWEST
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2018

2. **Significant accounting policies, continued**

(i) 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. **Cash and short-term investments**

Included in cash and short-term investments are investments held in Community Futures Lending and Investment Pool (CFLIP) of \$1,908,284 (carrying amount of \$1,840,683) bearing an interest rate of 2.80%. The 2017 CFLIP balance was \$1,848,872 (carrying amount of \$1,788,639). The initial funds deposited to the CFLIP totalled \$1,500,000.

In addition, cash includes a guaranteed investment certificate for \$326,115 (2017 - \$320,508) bearing interest at 1.75% (2017 - 1.75%). The investment matures November 2018.

4. **Loans receivable**

Outstanding loans to entrepreneurs are interest bearing at fixed rates varying from 6.0% to 8.0% 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 Investment Fund	\$ 1,074,027	\$ 4,874	-	\$ 1,078,901	\$ 107,864	\$ 971,037
Repayable Investment Fund	388,071	3,979	(25,200)	366,850	38,974	327,876
	<u>\$ 1,462,098</u>	<u>\$ 8,853</u>	<u>(25,200)</u>	<u>\$ 1,445,751</u>	<u>\$ 146,838</u>	<u>\$ 1,298,913</u>

COMMUNITY FUTURES ALBERTA SOUTHWEST
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2018

5. **Capital assets**

			2018		2017	
	Cost	Accumulated amortization	Net		Net	
Land	\$ 45,000	\$ -	\$ 45,000	\$	45,000	45,000
Building	235,327	(9,008)	226,320	\$	125,000	125,000
Office equipment	16,086	(9,005)	7,082	\$	622	622
Computer equipment	11,141	(2,002)	9,139	\$	702	702
	\$ 307,554	\$ (20,015)	\$ 287,539	\$	171,324	171,324

6. **Deferred revenue**

	Opening	Received	Spent	Closing
Western Economic Diversification	\$ 24,581	\$ 270,383	\$ 294,964	\$ -

Deferred revenue represents funding received that is related to subsequent years.

7. **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, 2018 no such notice has been given by the Minister.

8. **Interfund transfers**

Interfund transfers are made up of the following: \$16,000 as approved by the board from the non-repayable investment fund to the general account for the purchase of computer equipment and tablets.

9. **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, 2018

10. **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, 2018, the increase or decrease in net earnings for each one percent in interest rates would not have a significant effect on net earnings.