

**COMMUNITY FUTURES ALBERTA SOUTHWEST**

**FINANCIAL STATEMENTS**

**For the year ended March 31, 2019**

---

# COMMUNITY FUTURES ALBERTA SOUTHWEST

## TABLE OF CONTENTS

For the year ended March 31, 2019

---

<b>INDEPENDENT AUDITOR'S REPORT</b>	1 - 2
<b>FINANCIAL STATEMENTS</b>	
STATEMENT OF FINANCIAL POSITION	3
STATEMENT OF OPERATIONS	4
STATEMENT OF CHANGES IN FUND BALANCES	5
STATEMENT OF CASH FLOWS	6
NOTES TO THE FINANCIAL STATEMENTS	7 - 11

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Community Futures Alberta Southwest

### *Opinion*

We have audited the financial statements of Community Futures Alberta Southwest, which comprise the statement of financial position as at March 31, 2019, the statement of change in fund balances, and the statement of operations and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Community Futures Alberta Southwest as at March 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Community Futures Alberta Southwest in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Community Futures Alberta Southwest's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Community Futures Alberta Southwest or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Community Futures Alberta Southwest's financial reporting process.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

**INDEPENDENT AUDITOR'S REPORT, continued**

- ♦ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ♦ Obtain an understanding of internal control relevant to the audit 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 organization's internal control.
- ♦ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ♦ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.
- ♦ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Fort Macleod, Alberta  
June 20, 2019

*Avail LLP*

Chartered Professional Accountants

**COMMUNITY FUTURES ALBERTA SOUTHWEST**  
**STATEMENT OF FINANCIAL POSITION**  
**As at March 31, 2019**

	Operating Fund	Loan investment funds			2019 Total	2018 Total
		Non-Repayable Fund	Repayable Fund	Disabled Fund		
<b>ASSETS</b>						
<b>Current</b>						
Cash and short-term investments (note 3)	\$ 41,565	\$ 255,749	\$ 1,355,994	\$ 283,663	\$ 1,936,971	\$ 2,371,164
Accounts receivable	1,979	-	-	-	1,979	5,385
Inventory	10,523	-	-	-	10,523	11,064
Advances to/from other funds	-	-	7,579	-	7,579	668
Current portion of loans receivable	-	154,031	46,908	-	200,939	146,838
	54,067	409,780	1,410,481	283,663	2,157,991	2,535,119
<b>Loans receivable (note 4)</b>	-	1,422,797	413,593	-	1,836,390	1,298,913
<b>Capital assets (note 5)</b>	274,923	-	-	-	274,923	287,539
	\$ 328,990	\$ 1,832,577	\$ 1,824,074	\$ 283,663	\$ 4,269,304	\$ 4,121,571
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Current liabilities</b>						
Accounts payable and accrued liabilities	\$ 12,446	\$ -	\$ -	\$ -	\$ 12,446	\$ 11,297
Deferred revenue (note 6)	24,580	-	-	-	24,580	-
Advances to/from other funds	973	175	-	6,431	7,579	668
	37,999	175	-	6,431	44,605	11,965
<b>Repayable investment fund (note 7)</b>	-	-	800,000	200,000	1,000,000	1,000,000
	37,999	175	800,000	206,431	1,044,605	1,011,965
<b>Fund Balances</b>						
Invested in capital assets	274,923	-	-	-	274,923	287,539
Externally restricted	-	1,832,402	1,024,074	77,232	2,933,708	2,811,919
Unrestricted	16,068	-	-	-	16,068	10,148
	290,991	1,832,402	1,024,074	77,232	3,224,699	3,109,606
	\$ 328,990	\$ 1,832,577	\$ 1,824,074	\$ 283,663	\$ 4,269,304	\$ 4,121,571

Approved on behalf of the board

Director

Director




**COMMUNITY FUTURES ALBERTA SOUTHWEST**  
**STATEMENT OF OPERATIONS**  
For the year ended March 31, 2019

	Loan investment funds				2019 Total	2018 Total
	Operating Fund	Non- Repayable Fund	Repayable Fund	Disabled Fund		
<b>Revenue</b>						
Revenue	\$ 294,963	\$ -	\$ -	\$ -	\$ 294,963	\$ 294,964
Interest from clients	-	77,439	25,640	-	103,079	73,974
Interest from bank	6	9,344	41,270	8,693	59,313	59,822
Cardston ambassador project	19,843	-	-	-	19,843	15,155
Miscellaneous	12,638	-	-	-	12,638	8,451
Town of Pincher Creek	-	-	-	-	-	6,000
	<b>327,450</b>	<b>86,783</b>	<b>66,910</b>	<b>8,693</b>	<b>489,836</b>	<b>458,366</b>
<b>Expenses</b>						
Wages and benefits	202,736	-	-	-	202,736	188,852
Community economic development	29,767	-	-	-	29,767	25,210
Provision for credit losses	-	-	20,838	-	20,838	-
Board member expenses	18,171	-	-	-	18,171	17,078
Office and administration	14,105	-	-	-	14,105	8,485
Travel	11,846	-	-	-	11,846	12,347
Professional fees	11,473	-	-	-	11,473	12,096
Advertising and promotion	8,152	-	-	-	8,152	8,890
Telephone and fax	6,520	-	-	-	6,520	6,757
Staff meetings/conferences	5,802	-	-	-	5,802	6,791
Utilities	4,401	-	-	-	4,401	2,164
Insurance	3,783	-	-	-	3,783	3,921
Property taxes	2,875	-	-	-	2,875	2,490
FDI project	2,528	-	-	-	2,528	3,434
Contract service	2,400	-	-	-	2,400	2,430
Electronic ex-net	2,234	-	-	-	2,234	1,267
Program and contract delivery	1,815	-	-	-	1,815	1,300
Memberships and subscriptions	1,705	-	-	-	1,705	2,174
Equipment repairs and maintenance	1,061	-	-	-	1,061	-
Maps	541	-	-	-	541	292
Resource materials	250	-	-	-	250	496
Rent	-	-	-	-	-	9,411
Amortization	16,983	-	-	-	16,983	11,695
	<b>349,148</b>	<b>-</b>	<b>20,838</b>	<b>-</b>	<b>369,986</b>	<b>327,580</b>
<b>Excess of revenue over expenses before other income and expenses</b>	<b>(21,698)</b>	<b>86,783</b>	<b>46,072</b>	<b>8,693</b>	<b>119,850</b>	<b>130,786</b>
<b>Other expenses/(income)</b>						
Gain on sale of investments	-	(8,156)	(4,078)	-	(12,234)	-
Unrealized loss (gain) on investments	-	1,087	13,138	2,767	16,992	(7,368)
Loss on disposal of capital assets	-	-	-	-	-	294
	<b>-</b>	<b>(7,069)</b>	<b>9,060</b>	<b>2,767</b>	<b>4,758</b>	<b>(7,074)</b>
<b>(Deficiency) excess of revenue over expenses</b>	<b>\$ (21,698)</b>	<b>\$ 93,852</b>	<b>\$ 37,012</b>	<b>\$ 5,926</b>	<b>\$ 115,092</b>	<b>\$ 137,860</b>

**COMMUNITY FUTURES ALBERTA SOUTHWEST**  
**STATEMENT OF CHANGES IN FUND BALANCES**  
For the year ended March 31, 2019

	Operating Fund	Loan investment funds			2019 Total	2018 Total
		Non-Repayable Fund	Repayable Fund	Disabled Fund		
<b>Invested in capital assets</b>						
Beginning of year	\$ 287,539	\$ -	\$ -	\$ -	\$ 287,539	\$ 171,324
Purchase of capital assets	4,367	-	-	-	4,367	128,204
Amortization	(16,983)	-	-	-	(16,983)	(11,695)
Loss on disposal of capital assets	-	-	-	-	-	(294)
<b>End of year</b>	<b>274,923</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>274,923</b>	<b>287,539</b>
<b>Externally restricted</b>						
Beginning of year	-	1,753,551	987,062	71,306	2,811,919	2,687,567
Excess of revenue over expenses	-	93,852	37,011	5,926	136,789	140,352
Interfund transfers (note 8)	-	(15,000)	-	-	(15,000)	(16,000)
<b>End of year</b>	<b>-</b>	<b>1,832,403</b>	<b>1,024,073</b>	<b>77,232</b>	<b>2,933,708</b>	<b>2,811,919</b>
<b>Unrestricted</b>						
Beginning of year	10,148	-	-	-	10,148	112,853
Purchase of capital assets	(4,367)	-	-	-	(4,367)	(128,204)
Deficiency of revenue over expenses	(21,696)	-	-	-	(21,696)	(2,490)
Amortization	16,983	-	-	-	16,983	11,695
Interfund transfers (note 8)	15,000	-	-	-	15,000	16,000
Loss on disposal of capital assets	-	-	-	-	-	294
<b>End of year</b>	<b>16,068</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,068</b>	<b>10,148</b>
	<b>\$ 290,991</b>	<b>\$ 1,832,403</b>	<b>\$ 1,024,073</b>	<b>\$ 77,232</b>	<b>\$ 3,224,699</b>	<b>\$ 3,109,606</b>

**COMMUNITY FUTURES ALBERTA SOUTHWEST**  
**STATEMENT OF CASH FLOWS**  
For the year ended March 31, 2019

	Loan investment funds				2019 Total	2018 Total
	Operating Fund	Non- Repayable Fund	Repayable Fund	Disabled Fund		
<b>Cash flows from operating activities</b>						
Excess of revenue over expenses	\$ (21,698)	\$ 93,852	\$ 37,012	\$ 5,926	\$ 115,092	\$ 137,860
Items not involving cash						
Amortization	16,983	-	-	-	16,983	11,695
Provision for credit losses	-	-	20,838	-	20,838	-
Loss on disposal of capital assets	-	-	-	-	-	294
	(4,715)	93,852	57,850	5,926	152,913	149,849
<b>Net change in non-cash working capital items</b>						
Accounts receivable	3,405	-	-	-	3,405	(3,207)
Inventory	541	-	-	-	541	292
Accounts payable and accrued liabilities	1,151	-	-	-	1,151	4,962
Deferred revenue	24,580	-	-	-	24,580	(24,581)
Advances to/from other funds	305	842	(7,578)	6,431	-	-
	25,267	94,694	50,272	12,357	182,590	127,315
<b>Cash flows from lending activities</b>						
Loan payments	-	240,909	163,439	-	404,348	265,574
Loan advances	-	(730,076)	(277,054)	-	(1,007,130)	(714,820)
Accrued interest on loan portfolio	-	(8,760)	(874)	-	(9,634)	524
	-	(497,927)	(114,489)	-	(612,416)	(321,407)
<b>Cash flows from investing activities</b>						
Purchase of capital assets	(4,367)	-	-	-	(4,367)	(128,204)
Interfund transfers	15,000	(15,000)	-	-	-	-
	10,633	(15,000)	-	-	(4,367)	(128,204)
<b>Increase (decrease) in cash</b>	35,900	(418,233)	(64,217)	12,357	(434,193)	(449,612)
<b>Cash, beginning of year</b>	5,665	673,982	1,420,212	271,306	2,371,164	2,820,776
<b>Cash, end of year</b>	\$ 41,565	\$ 255,749	\$ 1,355,994	\$ 283,663	\$ 1,936,971	\$ 2,371,164



---

**COMMUNITY FUTURES ALBERTA SOUTHWEST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended March 31, 2019

---

**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) Investments

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

(d) 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.

(e) 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

One-half the normal rate of amortization is recorded in the year of acquisition.

---

**COMMUNITY FUTURES ALBERTA SOUTHWEST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended March 31, 2019

---

**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 seven 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 all of its financial assets and financial liabilities at fair value, except for certain non-arm's length transactions.

The organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments which are 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, 2019

**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 \$1,656,904 (cost of \$1,606,296) with a variable interest rate depending on the performance of the investments. Interest earned in 2019 was between 2 and 4%. The 2018 CFLIP balance was \$1,908,284 (cost of \$1,840,683). The initial funds deposited to the CFLIP totalled \$1,500,000.

In addition, cash includes a guaranteed investment certificate for \$150,000 (2018 - \$326,115) bearing interest at 2.34% (2018 - 1.75%). The investment matures in November 2019.

**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	\$ 1,563,194	\$ 13,634	\$ -	\$ 1,576,828	\$ 154,031	\$ 1,422,797
Repayable	476,047	4,854	(20,400)	460,501	46,908	413,593
	<u>\$ 2,039,241</u>	<u>\$ 18,488</u>	<u>\$ (20,400)</u>	<u>\$ 2,037,329</u>	<u>\$ 200,939</u>	<u>\$ 1,836,390</u>

**COMMUNITY FUTURES ALBERTA SOUTHWEST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended March 31, 2019

**5. Capital assets**

	Cost	Accumulated amortization	2019 Net	2018 Net
Land	\$ 45,000	\$ -	\$ 45,000	\$ 45,000
Building	238,123	20,844	217,279	226,319
Office equipment	16,086	10,744	5,342	7,081
Computer equipment	12,712	5,410	7,302	9,139
	<u>\$ 311,921</u>	<u>\$ 36,998</u>	<u>\$ 274,923</u>	<u>\$ 287,539</u>

**6. Deferred revenue**

	Opening	Received	Spent	Closing
Western Economic Diversification	\$ -	\$ 319,543	\$ 294,963	\$ 24,580

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

**7. Repayable investment fund**

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 funds. As of March 31, 2019, no such notice has been given by the Minister.

**8. Interfund transfers**

Interfund transfers are made up of the following: \$15,000 as approved by the board from the non-repayable investment fund to the general account for the economic development projects and to finish the upgrade 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, 2019

---

**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, 2019, the increase or decrease in net earnings for each one percent in interest rates would not have a significant effect on net earnings.