

COMMUNITY FUTURES ALBERTA SOUTHWEST

Financial Statements

For the year ended March 31, 2014

COMMUNITY FUTURES ALBERTA SOUTHWEST
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Young Parkyn McNab LLP

CHARTERED ACCOUNTANTS

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, 2014, 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.

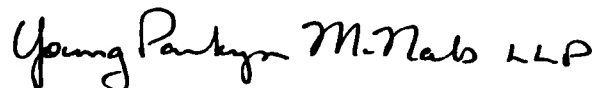
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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, 2014 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 25, 2014



Chartered Accountants

COMMUNITY FUTURES ALBERTA SOUTHWEST
STATEMENT OF FINANCIAL POSITION
As at March 31, 2014


	Operating Fund	Loan investment funds			2014 Total	2013 Total
		Non-Repayable	Repayable	Repayable Disability		
ASSETS						
Current assets						
Cash and short term investments (note 3)	\$ 142,257	\$ 894,024	\$ 1,289,201	\$ 252,925	\$ 2,578,407	\$ 2,555,649
Accounts receivable	14,046	-	-	-	14,046	5,164
Interfund receivable	-	61,152	-	-	61,152	61,152
Inventory	13,531	-	-	-	13,531	14,243
Prepaid expenses	656	-	-	-	656	2,563
Current portion of loans receivable	-	68,978	33,353	-	102,331	96,942
	170,490	1,024,154	1,322,554	252,925	2,770,123	2,735,713
Loans receivable (note 4)	-	643,455	304,221	-	947,676	867,291
Capital assets (note 5)	10,892	-	-	-	10,892	5,005
	\$ 181,382	\$ 1,667,609	\$ 1,626,775	\$ 252,925	\$ 3,728,691	\$ 3,608,009

LIABILITIES AND FUND BALANCES

Current liabilities						
Accounts payable and accrued liabilities	\$ 21,535	\$ -	\$ -	\$ -	\$ 21,535	\$ 11,897
Deferred revenue (note 6)	24,580	-	-	-	24,580	24,580
Interfund payable	61,152	-	-	-	61,152	61,152
	107,267	-	-	-	107,267	97,629
Repayable investment funds (note 7)	-	-	800,000	200,000	1,000,000	1,000,000
	107,267	-	800,000	200,000	1,107,267	1,097,629
Fund balances						
Invested in capital assets	10,893	-	-	-	10,893	5,006
Externally restricted	-	1,667,609	826,775	52,925	2,547,309	2,446,203
Unrestricted	63,222	-	-	-	63,222	59,171
	74,115	1,667,609	826,775	52,925	2,621,424	2,510,380
	\$ 181,382	\$ 1,667,609	\$ 1,626,775	\$ 252,925	\$ 3,728,691	\$ 3,608,009

Approved on behalf of the board

Director



Director

COMMUNITY FUTURES ALBERTA SOUTHWEST
STATEMENT OF OPERATIONS
For the year ended March 31, 2014

	Operating Fund	Loan investment funds			2014 Total	2013 Total
		Non-Repayable	Repayable	Repayable Disability		
Revenue						
Operating grant	\$ 294,963	\$ -	\$ -	\$ -	\$ 294,963	\$ 294,963
Interest						
- clients	-	40,881	19,713	245	60,839	65,826
- bank	1,144	28,525	14,212	923	44,804	43,041
Town of Pincher Creek	12,000	-	-	-	12,000	12,000
FDI project	9,564	-	-	-	9,564	-
Miscellaneous	7,070	-	-	-	7,070	7,790
Unrealized gain on investments	-	-	2,321	-	2,321	685
	324,741	69,406	36,246	1,168	431,561	424,305
Expenses						
Wages and benefits	199,738	-	-	-	199,738	195,347
Rent	18,822	-	-	-	18,822	18,768
Travel	12,203	-	-	-	12,203	10,845
Community economic development	11,253	-	-	-	11,253	11,043
Board member expenses	11,186	-	-	-	11,186	13,652
Professional fees	10,283	-	-	-	10,283	15,537
FDI project	9,564	-	-	-	9,564	-
Telephone and fax	9,417	-	-	-	9,417	9,732
Advertising and promotion	7,734	-	-	-	7,734	4,568
Office and administration	5,829	-	-	-	5,829	8,951
Bad debts	-	-	5,714	-	5,714	20,000
Staff meetings/conferences	3,791	-	-	-	3,791	3,063
Insurance	2,926	-	-	-	2,926	2,721
Contract service	2,700	-	-	-	2,700	2,700
Memberships and subscriptions	2,118	-	-	-	2,118	2,054
Program and contract delivery	1,589	-	-	-	1,589	1,589
Electronic ex-net	761	-	-	-	761	945
Equipment repairs and maintenance	749	-	-	-	749	1,694
Maps	712	-	-	-	712	858
Resource materials	68	-	-	-	68	475
Amortization	3,360	-	-	-	3,360	2,776
	314,803	-	5,714	-	320,517	327,318
Excess of revenue over expenses	\$ 9,938	\$ 69,406	\$ 30,532	\$ 1,168	\$ 111,044	\$ 96,987

COMMUNITY FUTURES ALBERTA SOUTHWEST
STATEMENT OF CHANGES IN FUND BALANCES
For the year ended March 31, 2014

	Operating Fund	Loan investment funds			2014 Total	2013 Total
		Non- Repayable	Repayable	Repayable Disability		
Fund balances						
Equity in capital assets, beginning of year	\$ 5,006	\$ -	\$ -	\$ -	\$ 5,006	\$ 7,782
Purchase of capital assets	9,247	-	-	-	9,247	-
Amortization	(3,360)	-	-	-	(3,360)	(2,776)
Equity in capital assets, end of year	10,893	-	-	-	10,893	5,006
Externally restricted funds, beginning of year	-	1,598,203	796,243	51,757	2,446,203	2,359,922
Excess of revenue over expenses	-	69,406	30,532	1,168	101,106	86,281
Externally restricted funds, end of year	-	1,667,609	826,775	52,925	2,547,309	2,446,203
Unrestricted funds, beginning of year	59,171	-	-	-	59,171	45,689
Purchase of capital assets	(9,247)	-	-	-	(9,247)	-
Excess of revenue over expenses	9,938	-	-	-	9,938	10,706
Amortization	3,360	-	-	-	3,360	2,776
Unrestricted funds, end of year	63,222	-	-	-	63,222	59,171
	\$ 74,115	\$ 1,667,609	\$ 826,775	\$ 52,925	\$ 2,621,424	\$ 2,510,380

COMMUNITY FUTURES ALBERTA SOUTHWEST
STATEMENT OF CASH FLOWS
For the year ended March 31, 2014

	Operating Fund	Loan investment funds			2014 Total	2013 Total
		Non-Repayable	Repayable	Repayable Disability		
Cash flows from operating activities						
Excess of revenue over expenses	\$ 9,938	\$ 69,406	\$ 30,532	\$ 1,168	\$ 111,044	\$ 96,987
Items not involving cash:						
Provision for credit losses	-	-	5,714	-	5,714	20,000
Amortization	3,360	-	-	-	3,360	2,776
	13,298	69,406	36,246	1,168	120,118	119,763
Net change in non-cash working capital items						
Accounts receivable	(8,882)	-	-	-	(8,882)	93
Inventory	712	-	-	-	712	(14,243)
Prepaid expenses	1,907	-	-	-	1,907	-
Accounts payable and accrued liabilities	9,638	-	-	-	9,638	(59,117)
Deferred revenue	-	-	-	-	-	24,580
	16,673	69,406	36,246	1,168	123,493	71,076
Loan payments	-	416,655	112,627	15,074	544,356	504,675
Accrued interest on loan portfolio	-	(27)	2,732	52	2,757	1,763
Loan advances	-	(443,556)	(195,045)	-	(638,601)	(566,952)
	16,673	42,478	(43,440)	16,294	32,005	10,562
Cash flows from investing activities						
Purchase of capital assets	(9,247)	-	-	-	(9,247)	-
Increase (decrease) in cash	7,426	42,478	(43,440)	16,294	22,758	10,562
Cash, beginning of year	134,831	851,546	1,332,641	236,631	2,555,649	2,545,087
Cash, end of year	\$ 142,257	\$ 894,024	\$ 1,289,201	\$ 252,925	\$ 2,578,407	\$ 2,555,649

COMMUNITY FUTURES ALBERTA SOUTHWEST
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2014

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

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, 2014

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 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 net income.

COMMUNITY FUTURES ALBERTA SOUTHWEST
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2014

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. **Bank indebtedness**

Included in cash and short-term investments are investments held in Community Futures Lending and Investment Pool (CFLIP) of \$1,673,075 (cost of \$1,654,987). The 2013 CFLIP balance was \$1,631,418 (cost of \$1,615,651). In addition, cash includes a guaranteed investment certificate for \$305,697 (2013 - \$300,000) bearing interest at 1.72% (2013 - 1.90%). The investment matures November 2014. Cash also includes another guaranteed investment certificate for \$300,000 bearing interest at 1.62% and maturing February 2015.

4. **Loans receivable**

Outstanding loans to entrepreneurs are interest bearing at fixed rates varying from 5.0% 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	\$ 709,918	\$ 2,515	-	\$ 712,433	\$ 68,978	\$ 643,455
Repayable	343,148	4,426	(10,000)	337,574	33,353	304,221
	\$ 1,053,066	\$ 6,941	(10,000)	\$ 1,050,007	\$ 102,331	\$ 947,676

COMMUNITY FUTURES ALBERTA SOUTHWEST
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2014

5. **Capital assets**

	2014		2013	
	Cost	Accumulated amortization	Net	Net
Office equipment	84,597	81,821	2,776	4,624
Leasehold improvements	24,659	24,659	-	-
Computer equipment	112,984	104,868	8,116	381
	\$ 222,240	\$ 211,348	\$ 10,892	\$ 5,005

6. **Deferred revenue**

	2014		2013	
Western Economic Diversification Funding	\$ 24,580	\$ 24,580	\$ 24,580	\$ 24,580

7. **Internally restricted 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, 2014 no such notice has been given by the Minister.

8. **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.

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, 2014

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, 2014, the increase or decrease in net earnings for each one percent in interest rates would not have a significant effect on net earnings.

11. 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.