

COMMUNITY FUTURES ALBERTA SOUTHWEST

Financial Statements

For the year ended March 31, 2016

COMMUNITY FUTURES ALBERTA SOUTHWEST
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For the year ended March 31, 2016

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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, 2016, 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.

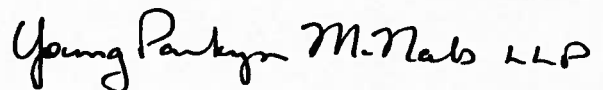
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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, 2016 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 17, 2016



Chartered Accountants

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS

To the Board of Directors of Community Futures Alberta Southwest

The accompanying summary financial statements, which comprise the summary statement of financial position as at March 31, 2016, and the summary statements of operations, changes in fund balances and cash flows for the

year then ended, are derived from the audited financial statements of Community Futures Alberta Southwest for the year ended March 31, 2016. We expressed an unmodified audit opinion on those financial statements in our report dated June 17, 2016.

The summary financial statements do not contain all the disclosures required by Canadian accounting standards for not-for-profit organizations. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of Community Futures Alberta Southwest.

Management's Responsibility for the Summarized Financial Statements

Management is responsible for the preparation of a summary of the audited financial statements in accordance with the criteria as described in note 1.

Auditor's Responsibility

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standard (CAS) 810, "Engagements to Report on Summary Financial Statements."

Opinion

In our opinion, the summary financial statements derived from the audited financial statements of Community Futures Alberta Southwest for the year ended March 31, 2016 are a fair summary of those financial statements, in accordance with the criteria described in note 1.

Young Parkyn M-Nals LLP

Chartered Accountants

Lethbridge, Alberta
June 17, 2016

COMMUNITY FUTURES ALBERTA SOUTHWEST
STATEMENT OF FINANCIAL POSITION
As at March 31, 2016

	Operating Fund	Loan investment funds		Repayable Disability	2016 Total	2015 Total
		Non- Repayable	Repayable			
ASSETS						
Current assets						
Cash and short term investments	\$ 52,633	\$ 960,178	\$ 1,359,225	\$ 263,128	\$ 2,635,164	\$ 2,739,550
Accounts receivable	25,819	-	-	-	25,819	3,475
Inventory	11,807	-	-	-	11,807	13,142
Current portion of loans receivable	-	81,179	36,068	-	117,247	97,875
	90,259	1,041,357	1,395,293	263,128	2,790,037	2,854,042
Loans receivable (note 4)	-	730,525	318,575	-	1,049,100	882,887
Capital assets (note 5)	4,710	-	-	-	4,710	8,202
	\$ 94,969	\$ 1,771,882	\$ 1,713,868	\$ 263,128	\$ 3,843,847	\$ 3,745,131
LIABILITIES AND FUND BALANCES						
Current liabilities						
Accounts payable and accrued liabilities	\$ 8,911	\$ -	\$ -	\$ -	\$ 8,911	\$ 15,325
Deferred revenue (note 6)	24,580	-	-	-	24,580	-
	33,491	-	-	-	33,491	15,325
Repayable investment funds	-	-	800,000	200,000	1,000,000	1,000,000
	33,491	-	800,000	200,000	1,033,491	1,015,325
Fund balances						
Invested in capital assets	4,710	-	-	-	4,710	8,202
Externally restricted	-	1,771,882	913,868	63,128	2,748,878	2,668,497
Unrestricted	56,768	-	-	-	56,768	53,107
	61,478	1,771,882	913,868	63,128	2,810,356	2,729,806
	\$ 94,969	\$ 1,771,882	\$ 1,713,868	\$ 263,128	\$ 3,843,847	\$ 3,745,131

Approved on behalf of the board

Director _____

Director _____

COMMUNITY FUTURES ALBERTA SOUTHWEST
STATEMENT OF OPERATIONS
For the year ended March 31, 2016

	Operating Fund	Loan investment funds			2016 Total	2015 Total
		Non-Repayable	Repayable	Repayable Disability		
Revenue						
Operating grant	\$ 294,963	\$ -	\$ -	\$ -	\$ 294,963	\$ 294,963
Interest						
- clients	-	45,426	20,626	-	66,052	64,948
- bank	643	20,806	27,111	5,222	53,782	51,986
FDI project	47,090	-	-	-	47,090	61,071
Miscellaneous	5,747	-	-	-	5,747	4,344
Town of Pincher Creek	12,000	-	-	-	12,000	12,000
Unrealized (loss) gain on investments	-	(6,393)	(2,192)	(244)	(8,829)	13,501
	360,443	59,839	45,545	4,978	470,805	502,813
Expenses						
Wages and benefits	202,687	-	-	-	202,687	200,534
FDI project	76,209	-	-	-	76,209	61,071
Rent	18,822	-	-	-	18,822	18,822
Board member expenses	14,971	-	-	-	14,971	8,225
Professional fees	9,705	-	-	-	9,705	10,904
Advertising and promotion	9,461	-	-	-	9,461	22,681
Travel	9,258	-	-	-	9,258	9,592
Telephone and fax	8,027	-	-	-	8,027	7,607
Program and contract delivery	7,790	-	-	-	7,790	1,589
Community economic development	7,406	-	-	-	7,406	19,450
Bad debts	-	-	6,000	-	6,000	7,610
Staff meetings/conferences	3,743	-	-	-	3,743	8,188
Contract service	2,460	-	-	-	2,460	1,561
Insurance	2,433	-	-	-	2,433	2,661
Office and administration	2,326	-	-	-	2,326	3,156
Memberships and subscriptions	2,073	-	-	-	2,073	2,170
Electronic ex-net	1,216	-	-	-	1,216	935
Maps	535	-	-	-	535	388
Equipment repairs and maintenance	496	-	-	-	496	718
Resource materials	426	-	-	-	426	1,617
Amortization	4,210	-	-	-	4,210	4,952
	384,254	-	6,000	-	390,254	394,431
(Deficiency) excess of revenue over expenses	\$ (23,811)	\$ 59,839	\$ 39,545	\$ 4,978	\$ 80,551	\$ 108,382

COMMUNITY FUTURES ALBERTA SOUTHWEST
STATEMENT OF CHANGES IN FUND BALANCES
For the year ended March 31, 2016

	Operating Fund	Loan investment funds			2016 Total	2015 Total
		Non- Repayable	Repayable	Repayable Disability		
Fund balances						
Equity in capital assets, beginning of year	\$ 8,202	\$ -	\$ -	\$ -	\$ 8,202	\$ 10,893
Purchase of capital assets	718	-	-	-	718	2,261
Amortization	(4,210)	-	-	-	(4,210)	(4,952)
Equity in capital assets, end of year	4,710	-	-	-	4,710	8,202
Externally restricted funds, beginning of year	-	1,736,023	874,323	58,150	2,668,496	2,547,308
Excess of revenue over expenses	-	59,839	39,545	4,978	104,362	121,189
Interfund transfer	-	(23,980)	-	-	(23,980)	-
Externally restricted funds, end of year	-	1,771,882	913,868	63,128	2,748,878	2,668,497
Unrestricted funds, beginning of year	53,107	-	-	-	53,107	63,223
Purchase of capital assets	(718)	-	-	-	(718)	(2,261)
Deficiency of revenue over expenses	(23,811)	-	-	-	(23,811)	(12,807)
Amortization	4,210	-	-	-	4,210	4,952
Interfund transfer	23,980	-	-	-	23,980	-
Unrestricted funds, end of year	56,768	-	-	-	56,768	53,107
	\$ 61,478	\$ 1,771,882	\$ 913,868	\$ 63,128	\$ 2,810,356	\$ 2,729,806

COMMUNITY FUTURES ALBERTA SOUTHWEST
STATEMENT OF CASH FLOWS
For the year ended March 31, 2016

	Operating Fund	Loan investment funds		Repayable Disability	2016 Total	2015 Total
		Non-Repayable	Repayable			
Cash flows from operating activities						
(Deficiency) excess of revenue over expenses	\$ (23,811)	\$ 59,839	\$ 39,545	\$ 4,978	\$ 80,551	\$ 108,382
Items not involving cash:						
Provision for credit losses	-	-	6,000	-	6,000	7,610
Amortization	4,210	-	-	-	4,210	4,952
	(19,601)	59,839	45,545	4,978	90,761	120,944
Net change in non-cash working capital items						
Accounts receivable	(22,344)	-	-	-	(22,344)	10,571
Inventory	1,335	-	-	-	1,335	392
Prepaid expenses	-	-	-	-	-	656
Accounts payable and accrued liabilities	(6,415)	-	-	-	(6,415)	(6,214)
Deferred revenue	24,580	-	-	-	24,580	(24,580)
	(22,445)	59,839	45,545	4,978	87,917	101,769
Loan payments	-	197,969	123,075	-	321,044	428,740
Accrued interest on loan portfolio	-	(2,871)	253	-	(2,618)	740
Loan advances	-	(360,341)	(149,670)	-	(510,011)	(367,845)
	(22,445)	(105,404)	19,203	4,978	(103,668)	163,404
Cash flows from investing activities						
Purchase of capital assets	(718)	-	-	-	(718)	(2,261)
Increase (decrease) in cash	817	(129,384)	19,203	4,978	(104,386)	161,143
Cash, beginning of year	51,816	1,089,562	1,340,022	258,150	2,739,550	2,578,407
Cash, end of year	\$ 52,633	\$ 960,178	\$ 1,359,225	\$ 263,128	\$ 2,635,164	\$ 2,739,550

COMMUNITY FUTURES ALBERTA SOUTHWEST
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2016

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) Blank policy 1

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'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, 2016

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 \$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.

(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, 2016

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 \$1,763,522 (carrying amount of \$1,740,762) bearing and interest rate of 2.60%. The 2015 CFLIP balance was \$1,728,319 (carrying amount of \$1,696,730). The initial funds deposited to the CLIP totalled \$1,500,000.

In addition, cash includes a guaranteed investment certificate for \$318,107 (2015 - \$310,955) bearing interest at 1.40% (2015 - 1.8%). The investment matures November 2016. Cash also includes two other guaranteed investment certificates for \$207,305 bearing interest at 2.00% maturing February 2017 and \$87,122 bearing interest at 0.65% maturing September 2017.

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	\$ 804,978	\$ 6,726	-	\$ 811,704	\$ 81,179	\$ 730,525
Repayable	372,751	2,093	(20,200)	354,644	36,068	318,575
	\$ 1,177,729	\$ 8,819	(20,200)	\$ 1,166,348	\$ 117,247	\$ 1,049,100

COMMUNITY FUTURES ALBERTA SOUTHWEST
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2016

5. Capital assets

			2016	2015
	Cost	Accumulated amortization	Net	Net
Office equipment	(355,183)	(84,967)	(270,216)	2,042
Leasehold improvements	24,659	(24,659)	49,318	-
Computer equipment	114,724	(110,884)	225,608	6,160
	\$ (215,800)	\$ (220,510)	\$ 4,710	\$ 8,202

6. Deferred revenue

	Opening	Received	Spent	Closing
Western Economic Diversification	\$ -	\$ 24,580	\$ -	\$ 24,580

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, 2016 no such notice has been given by the Minister.

8. Interfund transfers

Interfund transfers are approved through Western Economic Diversification for the following:

1. Economic Development Project for \$10,000
2. Software TEA system upgrade for \$7,980
3. Marketing campaign for \$6,000.

COMMUNITY FUTURES ALBERTA SOUTHWEST
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2016

9. Economic dependence

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

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, 2016, the increase or decrease in net earnings for each one percent in interest rates would not have a significant effect on net earnings.