

AUDITORS' REPORT ON COMPLIANCE WITH AGREEMENT

To Western Diversification

We have audited the Community Futures Alberta Southwest compliance as at March 31, 2015 with the criteria established in the Contribution Agreement between Western Diversification and Community Futures Alberta Southwest dated April 1, 2006 and the subsequent amendment dated March 18, 2013. Compliance with the criteria established by the provisions of the agreement is the responsibility of the management of Community Futures Alberta Southwest. Our responsibility is to express an opinion on this compliance based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether Community Futures Alberta Southwest complied with the criteria established by the provisions of the agreement referred to above. Such an audit includes examining, on a test basis, evidence supporting compliance, evaluating the overall compliance with the agreement, and where applicable, assessing the accounting principles used and significant estimates made by management.

In our opinion, as at March 31, 2015, Community Futures Alberta Southwest is in compliance, in all material respects, with the criteria established by the Contribution Agreement.

Lethbridge, Alberta

June 26, 2015

Young Parkyn M. Nabs LLP

Chartered Accountants

COMMUNITY FUTURES ALBERTA SOUTHWEST

Financial Statements

For the year ended March 31, 2015

COMMUNITY FUTURES ALBERTA SOUTHWEST
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For the year ended March 31, 2015

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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, 2015, 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, 2015 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 26, 2015

Young Parkyn McNab LLP

Chartered Accountants

COMMUNITY FUTURES ALBERTA SOUTHWEST
STATEMENT OF FINANCIAL POSITION
As at March 31, 2015

	Operating Fund	Loan investment funds		Repayable Disability	2015 Total	2014 Total
		Non- Repayable	Repayable			
ASSETS						
Current assets						
Cash and short term investments (note 3)	\$ 112,965	\$ 1,028,410	\$ 1,340,022	\$ 258,151	\$ 2,739,548	\$ 2,578,407
Accounts receivable	3,475	-	-	-	3,475	14,046
Inventory	13,142	-	-	-	13,142	13,531
Prepaid expenses	-	-	-	-	-	656
Current portion of loans receivable	-	64,017	33,858	-	97,875	102,331
	129,582	1,092,427	1,373,880	258,151	2,854,040	2,708,971
Loans receivable (note 4)	-	582,444	300,443	-	882,887	947,676
Capital assets (note 5)	8,202	-	-	-	8,202	10,892
	\$ 137,784	\$ 1,674,871	\$ 1,674,323	\$ 258,151	\$ 3,745,129	\$ 3,667,539
LIABILITIES AND FUND BALANCES						
Current liabilities						
Accounts payable and accrued liabilities	\$ 15,323	\$ -	\$ -	\$ -	\$ 15,324	\$ 21,535
Deferred revenue	-	-	-	-	-	24,580
	15,323	-	-	-	15,324	46,115
Repayable investment funds (note 6)	-	-	800,000	200,000	1,000,000	1,000,000
	15,323	-	800,000	200,000	1,015,324	1,046,115
Fund balances						
Invested in capital assets	8,203	-	-	-	8,203	10,893
Externally restricted	-	1,674,871	874,323	58,151	2,607,344	2,486,156
Unrestricted	114,258	-	-	-	114,258	124,375
	122,461	1,674,871	874,323	58,151	2,729,805	2,621,424
	\$ 137,784	\$ 1,674,871	\$ 1,674,323	\$ 258,151	\$ 3,745,129	\$ 3,667,539

Approved on behalf of the board

Director _____

Director _____

COMMUNITY FUTURES ALBERTA SOUTHWEST
STATEMENT OF OPERATIONS
For the year ended March 31, 2015

	Operating Fund	Loan investment funds			2015 Total	2014 Total
		Non-Repayable	Repayable	Repayable Disability		
Revenue						
Operating grant	\$ 294,963	\$ -	\$ -	\$ -	\$ 294,963	\$ 294,963
Interest						
- clients	-	44,192	20,756	-	64,948	60,839
- bank	1,636	19,258	25,992	5,099	51,986	44,804
FDI project	61,071	-	-	-	61,071	9,564
Unrealized gain on investments	-	4,964	8,410	127	13,501	2,321
Town of Pincher Creek	12,000	-	-	-	12,000	12,000
Miscellaneous	4,344	-	-	-	4,344	7,070
	374,014	68,414	55,158	5,226	502,813	431,561
Expenses						
Wages and benefits	200,534	-	-	-	200,534	199,738
FDI project	61,071	-	-	-	61,071	9,564
Advertising and promotion	22,681	-	-	-	22,681	7,734
Community economic development	19,450	-	-	-	19,450	11,253
Rent	18,822	-	-	-	18,822	18,822
Professional fees	10,904	-	-	-	10,904	10,283
Travel	9,592	-	-	-	9,592	12,203
Board member expenses	8,225	-	-	-	8,225	11,186
Staff meetings/conferences	8,188	-	-	-	8,188	3,791
Bad debts	-	-	7,610	-	7,610	5,714
Telephone and fax	7,607	-	-	-	7,607	9,417
Office and administration	3,155	-	-	-	3,155	5,829
Insurance	2,661	-	-	-	2,661	2,926
Memberships and subscriptions	2,170	-	-	-	2,170	2,118
Resource materials	1,617	-	-	-	1,617	68
Program and contract delivery	1,589	-	-	-	1,589	1,589
Contract service	1,561	-	-	-	1,561	2,700
Electronic ex-net	935	-	-	-	935	761
Equipment repairs and maintenance	718	-	-	-	718	749
Maps	389	-	-	-	389	712
Amortization	4,952	-	-	-	4,952	3,360
	386,821	-	7,610	-	394,431	320,517
(Deficiency) excess of revenue over expenses	\$ (12,807)	\$ 68,414	\$ 47,548	\$ 5,226	\$ 108,382	\$ 111,044

COMMUNITY FUTURES ALBERTA SOUTHWEST
STATEMENT OF CHANGES IN FUND BALANCES
For the year ended March 31, 2015

	Operating Fund	Loan investment funds			2015 Total	2014 Total
		Non- Repayable	Repayable	Repayable Disability		
Fund balances						
Equity in capital assets, beginning of year	\$ 10,893	\$ -	\$ -	\$ -	\$ 10,893	\$ 5,006
Purchase of capital assets	2,262	-	-	-	2,262	9,247
Amortization	(4,952)	-	-	-	(4,952)	(3,360)
Equity in capital assets, end of year	8,203	-	-	-	8,203	10,893
Externally restricted funds, beginning of year	-	1,606,457	826,775	52,925	2,486,156	2,446,203
Excess of revenue over expenses	-	68,414	47,548	5,226	121,188	101,105
Interfund adjustment	-	-	-	-	-	(61,152)
Externally restricted funds, end of year	-	1,674,871	874,323	58,151	2,607,344	2,486,156
Unrestricted funds, beginning of year	124,375	-	-	-	124,375	59,171
Purchase of capital assets	(2,262)	-	-	-	(2,262)	(9,247)
(Deficiency) excess of revenue over expenses	(12,807)	-	-	-	(12,807)	9,939
Amortization	4,952	-	-	-	4,952	3,360
Interfund adjustment	-	-	-	-	-	61,152
Unrestricted funds, end of year	114,258	-	-	-	114,258	124,375
	\$ 122,461	\$ 1,674,871	\$ 874,323	\$ 58,151	\$ 2,729,805	\$ 2,621,424

COMMUNITY FUTURES ALBERTA SOUTHWEST
STATEMENT OF CASH FLOWS
For the year ended March 31, 2015

	Operating Fund	Loan investment funds			2015 Total	2014 Total
		Non-Repayable	Repayable	Repayable Disability		
Cash flows from operating activities						
(Deficiency) excess of revenue over expenses	\$ (12,807)	\$ 68,414	\$ 47,548	\$ 5,226	\$ 108,382	\$ 111,044
Items not involving cash:						
Provision for credit losses	-	-	7,610	-	7,610	5,714
Amortization	4,952	-	-	-	4,952	3,360
	(7,855)	68,414	55,158	5,226	120,943	120,118
Net change in non-cash working capital items						
Accounts receivable	10,571	-	-	-	10,571	(8,882)
Inventory	392	-	-	-	392	712
Prepaid expenses	656	-	-	-	656	1,907
Accounts payable and accrued liabilities	(6,214)	-	-	-	(6,214)	9,638
Deferred revenue	(24,580)	-	-	-	(24,580)	-
	(27,030)	68,414	55,158	5,226	101,768	123,493
Loan payments	-	280,338	148,402	-	428,740	544,356
Accrued interest on loan portfolio	-	(1,340)	2,080	-	740	2,757
Loan advances	-	(213,026)	(154,819)	-	(367,845)	(638,601)
	(27,030)	134,386	50,821	5,226	163,403	32,005
Cash flows from investing activities						
Purchase of capital assets	(2,262)	-	-	-	(2,262)	(9,247)
(Decrease) increase in cash	(29,292)	134,386	50,821	5,226	161,141	22,758
Cash, beginning of year	142,257	894,024	1,289,201	252,925	2,578,407	2,555,649
Cash, end of year	\$ 112,965	\$ 1,028,410	\$ 1,340,022	\$ 258,151	\$ 2,739,548	\$ 2,578,407

COMMUNITY FUTURES ALBERTA SOUTHWEST
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2015

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, 2015

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, 2015

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. Cash and short term investments

Included in cash and short-term investments are investments held in Community Futures Lending and Investment Pool (CFLIP) of \$1,728,319 (cost of \$1,696,730). The 2014 CFLIP balance was \$1,673,075 (cost of \$1,654,987). In addition, cash includes a guaranteed investment certificate for \$310,955 (2014 - \$305,697) bearing interest at 1.80% (2014 - 1.72%). The investment matures November 2015. Cash also includes two other guaranteed investment certificates for \$203,240 bearing interest at 2.00% maturing February 2017 and \$101,620 bearing interest at 0.85% maturing February 2016.

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	\$ 642,606	\$ 3,855	-	\$ 646,461	\$ 64,017	\$ 582,444
Repayable	346,955	2,346	(15,000)	334,301	33,858	300,443
	\$ 989,561	\$ 6,201	(15,000)	\$ 980,762	\$ 97,875	\$ 882,887

COMMUNITY FUTURES ALBERTA SOUTHWEST
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2015

5. Capital assets

			2015	2014
	Cost	Accumulated amortization	Net	Net
Office equipment	85,837	83,794	2,043	2,776
Leasehold improvements	24,659	24,659	-	-
Computer equipment	114,006	107,847	6,159	8,116
	\$ 224,502	\$ 216,300	\$ 8,202	\$ 10,892

6. 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, 2015 no such notice has been given by the Minister.

7. 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.

8. 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, 2015

9. 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, 2015, the increase or decrease in net earnings for each one percent in interest rates would not have a significant effect on net earnings.

10. 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.

The prior year figures have been adjusted to remove the interfund payable and receivable of \$61,152. The adjustment does not affect prior year earnings or prior year fund balances.