

Community Futures Centre West
Financial Statements
March 31, 2016

Independent Auditors' Report

To the Board of Directors of Community Futures Centre West:

We have audited the accompanying financial statements of Community Futures Centre West, which comprise the statement of financial position as at March 31, 2016, and the statements of operations, changes in net assets, cash flows and the related schedules 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.

Auditors' 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 auditors' judgment, 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 Centre West 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.

Calgary, Alberta

June 29, 2016

MNP LLP

Chartered Professional Accountants

Community Futures Centre West Statement of Financial Position

As at March 31, 2016

	<i>Operating Fund</i>	<i>Investment Fund</i>	2016	2015
Assets				
Current				
Cash (Note 4)	22,390	460,767	483,157	163,065
Term deposits	218,551	-	218,551	215,000
Accounts receivable	1,532	-	1,532	5,055
Prepaid expenses and deposits	7,202	-	7,202	7,581
Inter fund loan (Note 5)	4,577	(4,577)	-	-
Current portion of loans receivable (Note 7)	-	509,939	509,939	537,308
	254,252	966,129	1,220,381	928,009
Capital assets (Note 6)	10,832	-	10,832	5,380
Loans receivable (Note 7)	-	1,143,023	1,143,023	1,292,404
	265,084	2,109,152	2,374,236	2,225,793
Liabilities				
Current				
Demand operating loan (Note 8)	-	738,000	738,000	600,000
Accounts payable and accruals	35,839	-	35,839	30,148
Deferred contributions (Note 9)	24,580	-	24,580	1,050
	60,419	738,000	798,419	631,198
Commitments (Note 12)				
Net Assets				
Share capital (Note 10)	14	-	14	12
Externally restricted (Note 11)	-	1,387,500	1,387,500	1,387,500
Unrestricted	204,651	(16,348)	188,303	207,083
	204,665	1,371,152	1,575,817	1,594,595
	265,084	2,109,152	2,374,236	2,225,793

Approved on behalf of the Board


Director


Director

Community Futures Centre West
Statement of Operations
For the year ended March 31, 2016

	<i>Operating Fund</i>	<i>Investment Fund</i>	2016	2015
Revenue				
Western Economic Diversification	294,963	-	294,963	294,963
Loan interest	-	143,497	143,497	131,594
Service fees, donations and other	27,698	-	27,698	25,603
Other interest income	3,551	41	3,592	3,848
Self-employment program	-	-	-	2,400
	326,212	143,538	469,750	458,408
Expenses				
Advertising and promotion	6,786	-	6,786	7,777
Bank charges	6,829	-	6,829	5,805
Board	3,162	-	3,162	1,437
Community partnership building	6,220	-	6,220	5,400
Insurance	1,280	-	1,280	1,620
Interest	-	19,023	19,023	17,855
Office and general	10,504	-	10,504	8,964
Professional fees	15,710	-	15,710	28,131
Projects	2,863	-	2,863	6,636
Provision for loan losses	-	134,622	134,622	123,730
Rent	10,144	-	10,144	9,799
Salaries and benefits	243,582	-	243,582	242,490
Telephone and telecommunications	11,424	-	11,424	12,175
Travel	14,043	-	14,043	14,131
	332,547	153,645	486,192	485,950
Deficiency of revenue over expenses before other items	(6,335)	(10,107)	(16,442)	(27,542)
Other expense				
Amortization	(2,338)	-	(2,338)	(1,528)
Deficiency of revenue over expenses	(8,673)	(10,107)	(18,780)	(29,070)

The accompanying notes are an integral part of these financial statements

Community Futures Centre West
Statement of Changes in Net Assets
For the year ended March 31, 2016

	<i>Operating Fund</i>	<i>Investment Fund</i>	2016	2015
Net assets (deficiency), beginning of year,	213,324	(6,241)	207,083	236,153
Deficiency of revenue over expenses	(8,673)	(10,107)	(18,780)	(29,070)
Net assets, (deficiency) end of year	204,651	(16,348)	188,303	207,083

The accompanying notes are an integral part of these financial statements

Community Futures Centre West
Statement of Cash Flows
For the year ended March 31, 2016

	<i>Operating Fund</i>	<i>Investment Fund</i>	2016	2015
Cash provided by (used for) the following activities				
Operating				
Deficiency of revenue over expenses	(8,673)	(10,107)	(18,780)	(29,070)
Amortization	2,338	-	2,338	1,528
Provision for loan losses, net of write offs	-	130,192	130,192	123,730
	(6,335)	120,085	113,750	96,188
Changes in working capital accounts				
Accounts receivable	3,523	-	3,523	(2,268)
Prepaid expenses and deposits	379	-	379	3,445
Inter fund loan	665	(665)	-	-
Accounts payable and accruals	5,690	-	5,690	317
Deferred contributions	23,530	-	23,530	(24,830)
	27,452	119,420	146,872	72,852
Financing				
Issuance of share capital	2	-	2	-
Advances on demand operating loan	-	138,000	138,000	-
	2	138,000	138,002	-
Investing				
Purchase of capital assets	(7,790)	-	(7,790)	-
Advances of loans receivable	-	(1,229,995)	(1,229,995)	(1,295,663)
Receipts of loans receivable	-	1,276,554	1,276,554	785,881
	(7,790)	46,559	38,769	(509,782)
Increase (decrease) in cash resources	19,664	303,979	323,643	(436,930)
Cash resources, beginning of year	221,277	156,788	378,065	814,995
Cash resources, end of year	240,941	460,767	701,708	378,065
Cash resources are composed of:				
Cash	22,390	460,767	483,157	163,065
Term deposits	218,551	-	218,551	215,000
	240,941	460,767	701,708	378,065

The accompanying notes are an integral part of these financial statements

Community Futures Centre West

Notes to the Financial Statements

For the year ended March 31, 2016

1. Incorporation and nature of the organization

Community Futures Centre West (the "Organization") is designed to assist rural communities develop their local economies by using innovative approaches to business and community development. Community Futures Centre West provides access to resources and financial assistance.

Community Futures Centre West provides core services such as: Fostering Strategic Community Planning and Socio-Economic Development, Building Community Networks by partnering and developing, and partnering with Community Economic Development projects with business, economic, social and environmental organizations. The Organization assists with the growth and development of community infrastructure resulting in increased community capacity. Community Futures Centre West also provides business services by way of counselling and training, with financial assistance in the way of business loans to small and medium sized entrepreneurs and to entrepreneurs with disabilities.

The Organization is incorporated pursuant to the Alberta Companies Act as a not-for-profit organization. It is exempt from income taxes under the Income Tax Act (the "Act") as a not-for-profit organization. To maintain its status as a tax-exempt entity under the Act, the Organization must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

2. Economic dependence

The Organization receives the majority of its operating revenue from the Federal Government for its loans and financial services and is economically dependent upon this funding for continuing operations. In previous years, the Organization also received funding from the Alberta Government for the Self-employment program. The Alberta government ceased funding the Self-employment program at March 31, 2014, and consequently, the Organization ceased offering the Self-employment program.

3. Significant accounting policies

Basis of accounting

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") as issued by the Accounting Standards Board in Canada and include the following significant accounting policies:

Fund accounting

The Organization follows the deferral method of accounting for contributions and reports using fund accounting, and maintains two funds: The Operating Fund and the Investment Fund.

The Operating Fund accounts for the Organization's operating costs and general revenues. This fund reports unrestricted resources and restricted operating grants.

The Investment Fund reports restricted resources that are to be used for assistance to small businesses and entrepreneurs in the form of loans, loan guarantees or equity participation. Loans from the Entrepreneurs with Disabilities Program ("EDP") are limited to businesses owned and operated by disabled entrepreneurs. The Organization is restricted in the types of loans that can be made according to its agreement with the Federal Government.

Cash

Cash includes balances with banks and short-term investments with maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

Term deposits

Term deposits comprise investments in Guaranteed Investment Certificates ("GICs") with maturities in excess of three months or are expected to be immediately reinvested upon maturity. The GICs bear interest at 0.9% per annum (2014 - rates ranging from 1.12% to 1.50% per annum).

3. **Significant accounting policies** *(Continued from previous page)*

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution if fair value can be reasonably determined.

Amortization is provided using the following methods and rates intended to amortize the cost of assets over their estimated useful lives. Amortization is recorded at half the following rates in the year of acquisition.

	Method	Rate
Computer equipment	declining balance	30 %
Computer software	declining balance	30 %
Furniture and fixtures	declining balance	20 %
Leasehold improvements	straight-line	10 years

Long-lived assets

Long-lived assets consist of capital assets with finite useful lives. Long-lived assets held for use are measured and amortized as described in the applicable accounting policy.

When the Organization determines that a long-lived asset no longer has any long-term service potential to the Organization, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations. Write-downs are not reversed.

Loans receivable

Loans receivable are initially recorded at fair value and subsequently measured at their amortized cost less impairment. Amortized cost is calculated as the loan's principal amount plus unamortized loan administration fees, less any allowance for anticipated losses, plus accrued interest. Interest revenue is recorded on the accrual basis using the effective interest method. Loan administration fees are amortized over the term of the loan using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to the carrying amount of the financial asset.

Revenue recognition

The Organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Interest income is recognized as revenue when earned.

Government assistance

- a) Funding received from Western Economic Diversification to finance operating expenses has been included as revenue in the Statement of Operations.
- b) Funding received to finance investment loans has been classified as externally restricted fund balances on the Statement of Financial Position - Investment Fund.
- c) Funding received from Alberta Human Services to finance the Self-employment program expenses has been included as revenue in the Statement of Operations - Self-employment program.

3. Significant accounting policies *(Continued from previous page)*

Financial instruments

The Organization recognizes its financial instruments when the Organization becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value.

At initial recognition, the Society may irrevocably elect to subsequently measure any financial instrument at fair value. The Society has not made such an election during the year.

All financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in the excess of revenue over expenses for the current period. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

Financial asset impairment

The Organization assesses impairment of all of its financial assets measured at cost or amortized cost. The Organization groups assets for impairment testing when available information is not sufficient to permit identification of each individually impaired financial asset in the group. When there is an indication of impairment, the Organization determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year. If so, the Organization reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets; and the amount expected to be realized by exercising any rights to collateral held against those assets. Any impairment, which is not considered temporary, is included in current year excess (deficiency) of revenue over expenses.

The Organization reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in the excess (deficiency) of revenue over expenses in the year the reversal occurs.

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 disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Loans receivable are evaluated as to their collectability and an appropriate allowance for loan impairment is provided where considered necessary. Amortization is based on the estimated useful lives of capital assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess (deficiency) of revenue over expenses in the periods in which they become known.

4. Cash, investment fund

Cash held in the Investment Fund is restricted for granting loans.

	2016	2015
Cash consists of the following internal allocations:		
Regular Investment Fund (cheques written in excess of fund balances)	232,473	(73,847)
Youth Investment Fund	137,489	85,308
Entrepreneurs with Disabilities Program	90,805	145,327
	460,767	156,788

The funds held in the Entrepreneurs with Disabilities Program are restricted for providing investment funds for entrepreneurs fitting these criteria.

Community Futures Centre West
Notes to the Financial Statements
For the year ended March 31, 2016

5. Inter fund loan

During the year, cash was transferred between the Operating Fund and the Investment Fund to meet the Organization's operating and investing requirements.

6. Capital assets

	<i>Cost</i>	<i>Accumulated amortization</i>	<i>2016 Net book value</i>	<i>2015 Net book value</i>
Computer equipment	4,016	2,341	1,675	2,391
Computer software	7,790	1,169	6,621	-
Furniture and fixtures	1,725	731	994	1,242
Leasehold improvements	2,043	501	1,542	1,747
	15,574	4,742	10,832	5,380

7. Loans receivable

	<i>2016</i>	<i>2015</i>
Loan Investment Fund - General	1,800,902	2,050,008
Provision for loan losses	(147,940)	(220,296)
	1,652,962	1,829,712
Less: current portion	509,939	537,308
	1,143,023	1,292,404

An allowance for losses on investment loans is made based on expected loan default rates, potential loss ratios and review of loans portfolio, as determined by management. Loans receivable and loss allowance are as follows:

	<i>Balance, beginning of year</i>	<i>Write-offs (net of recoveries)</i>	<i>Credit losses</i>	<i>2016 Balance, end of year</i>	<i>2015 Balance, end of year</i>
Loan Investment Fund - General	220,296	(206,978)	134,622	147,940	220,296

Actual write-offs, net of recoveries, are deducted from the allowance for credit losses. The provision for credit losses in the statement of operations and changes in fund balances is charged with an amount sufficient to keep the balance in the allowance for credit losses adequate to absorb anticipated credit related losses.

Outstanding loans to entrepreneurs are interest bearing at fixed rates varying from 7.75% to 12.750% with monthly blended principal repayments amortized over various time periods and interest only repayments. Security on these loans is appropriate to the situation and includes personal guarantees, general security agreements covering business assets and mortgages on land and buildings.

Community Futures Centre West
Notes to the Financial Statements
For the year ended March 31, 2016

8. Demand operating loan

	2016	2015
Demand operating loan	738,000	600,000

The Organization maintains a demand operating loan payable to Community Futures Network of Alberta through its Community Futures Lending & Investment Pool ("CFLIP") to a maximum of \$1,000,000 bearing interest at RBC's prime rate with interest only repayments required on a monthly basis. Amount is due on demand and no later than September 30, 2020. Security pledged consists of a demand promissory note for amounts drawn and a general security agreement over all assets and undertakings of the Organization. Prime rate at year end was 2.70% (2015 - 2.85%).

9. Deferred contributions

Deferred contributions consist of unspent contributions received for future operations. Recognition of these amounts as revenue is deferred to periods when the specified expenditures are made. Changes in the deferred contribution balance are as follows:

	Operating Fund	Investment Fund	2016	2015
Balance, beginning of year		1,050	1,050	25,880
Amount received during the year		24,580	24,580	1,050
Less: Amount recognized as revenue during the year		(1,050)	(1,050)	(25,880)
Balance, end of year	24,580	-	24,580	1,050

10. Share capital

	2016	2015
Issued		
8 Class A voting shares	2	-
12 Class B non-voting shares	12	12
	14	12

During the year ended March 31, 2015, the Organization amended its share structure such that all previously issued common shares were redesignated as Class B non-voting shares. In addition, an unlimited number of Class A voting shares were created, and one Class A voting share was then issued for nil consideration to each of the 8 directors to retain so long as they remained as a director of the Organization. Upon resignation from the Board of Directors, and with approval from the Board, the outgoing director's share may be directly transferred to an incoming board member, otherwise, it is forfeit and returned to treasury. Incoming board members acquire one new Class A voting share either by transfer, or purchase for consideration of \$1.00. Consistent with the maximum number of Board members, a maximum of 15 Class A voting shares may be issued and outstanding at any given time.

During the year ended March 31, 2016, two Class A voting shares were issued to new board members for consideration of \$1.00 each. The shares held by the two exiting board members were forfeit and returned to treasury.

Community Futures Centre West
Notes to the Financial Statements
For the year ended March 31, 2016

11. Externally restricted fund balance - Investment Fund

	2016	2015
Loan investment funds externally restricted to loans and equity investments to entrepreneurs		
General	1,187,500	1,187,500
Entrepreneurs with Disabilities	200,000	200,000
	1,387,500	1,387,500

12. Commitments

The Organization signed a sublease agreement with Community Futures Network of Alberta for the new business premises. This agreement is subject to minimum monthly rent until October 31, 2018.

The Organization also has an operating lease on a photocopier until December 2019. The minimum quarterly lease payments are \$800 (subject to maximum escalation of 5%), plus GST and usage fees.

Estimated combined total annual commitments for the above leases are as follows:

2017	13,229
2018	13,419
2019	13,419
	40,067

13. Financial instruments

The Organization, as part of its operations, carries a number of financial instruments. It is management's opinion that the Organization is not exposed to significant interest rate, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

Loans receivable are initially recorded at fair value and subsequently measured at their amortized cost less impairment. The fair value of loans receivable are estimated utilizing a discounted cash flow calculation that applies market interest rates currently charged for new loans to expected maturity amounts. The fair value of loans receivable approximates their carrying amounts as market interest rates have remained reasonably consistent since the loans were issued.

Fair value

The carrying value of cash, term deposits, accounts receivable, accounts payable and accruals approximates its fair value due to the immediate or short term maturity of these instruments. The carrying value of the bank indebtedness approximates the fair value as the interest rates are consistent with the market rates.

Credit risk

As disclosed in Note 7, the Organization is exposed to credit risk on the loans receivable from its clients to the extent that their clients may experience financial difficulty and would be unable to meet their obligations. In order to reduce such risk, the Organization has adopted extensive credit and approval policies that include the regular review of client accounts and credit worthiness.

The Organization is also exposed to credit risk due to the fact that it maintains 100% of its cash and deposits with a single federally regulated Canadian financial institution. In the event of any unforeseen circumstances the funds are insured to a maximum of \$100,000 through Canadian Deposit Insurance Corporation.

Interest rate risk

The Organization's borrowings are subject to floating rates. The floating rate debt is subject to an interest rate cash flow risk, as the required cash flows to service the debt will fluctuate as a result of changes in market rates.

Liquidity risk

Liquidity risk is the risk that the Organization will not be able to meet a demand for cash or fund its obligations as they come due. Liquidity risk also includes the risk of the Organization not being able to liquidate assets in a timely manner at a reasonable price.

The Organization meets its liquidity requirements by preparing and monitoring detailed forecasts of cash flows from operations, anticipating investing and financing activities and seeking out funding for specific projects.

Community Futures Centre West
Schedule 1 - Western Economic Diversification Revenue and Expenses
For the year ended March 31, 2016

	2016	2015
Revenue		
Western Economic Diversification	294,963	294,963
Service fees, donations and other	27,698	25,603
Self-employment program	-	2,400
Other interest income	3,551	-
	326,212	322,966
Expenses		
Advertising and promotion	6,786	7,777
Bank charges	6,829	5,805
Board	3,162	1,437
Community partnership building	6,220	5,400
Insurance	1,280	1,620
Office and general	10,504	8,964
Professional fees	15,710	28,131
Projects	2,863	6,636
Rent	10,144	9,799
Salaries and benefits	243,582	242,490
Telephone and telecommunications	11,424	12,175
Travel	14,043	14,131
	332,547	344,365
Deficiency of revenues over expenses before other items	(6,335)	(21,399)
Other expense		
Amortization	(2,338)	(1,528)
Deficiency of revenue over expenses	(8,673)	(22,927)