Community Futures Centre West
Financial Statements
March 31, 2018

Management's Responsibility

To the Members of Community Futures Centre West:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian accounting standards for not-for-profit organizations. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is composed primarily of Directors who are neither management nor employees of the Organization. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Organization's external auditors.

MNP LLP is appointed by the Board to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

July 5, 2018

P J Powell

Executive Director

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, 2018, and the statements of operations, changes in net assets, cash flows and the related schedule 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, 2018 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

July 5, 2018

MNP LLP
Chartered Professional Accountants

Community Futures Centre West
Statement of Financial Position
As at March 31, 2018

	Operating Fund	Investment Fund	2018	2017
Assets				
Current				
Cash *(Note 4)*	57,953	766,597	**824,550**	638,784
Term deposits *(Note 5)*	100,666	-	**100,666**	100,000
Accounts receivable	10,668	-	**10,668**	1,058
Prepaid expenses and deposits	7,152	-	**7,152**	22,713
Inter fund loan *(Note 6)*	13,357	(13,357)	**-**	-
Current portion of loans receivable *(Note 7)*	-	239,423	**239,423**	316,159
	189,796	**992,663**	**1,182,459**	1,078,714
Capital assets *(Note 8)*	6,757	-	**6,757**	7,939
Loans receivable *(Note 7)*	-	1,203,503	**1,203,503**	1,299,524
	196,553	**2,196,166**	**2,392,719**	2,386,177
Liabilities				
Current				
Demand operating loan *(Note 9)*	-	714,000	**714,000**	726,000
Accounts payable and accruals	27,714	-	**27,714**	31,994
Deferred contributions *(Note 10)*	29,534	-	**29,534**	80,630
	57,248	**714,000**	**771,248**	838,624
Commitments *(Note 13)*				
Net Assets				
Share capital *(Note 11)*	21	-	**21**	21
Externally restricted *(Note 12)*	-	1,387,500	**1,387,500**	1,387,500
Unrestricted	139,284	94,666	**233,950**	160,032
	139,305	**1,482,166**	**1,621,471**	1,547,553
	196,553	**2,196,166**	**2,392,719**	2,386,177

Approved on behalf of the Board

The accompanying notes are an integral part of these financial statements

Community Futures Centre West
Statement of Operations
For the year ended March 31, 2018

	Operating Fund	*Investment Fund*	*2018*	*2017*
Revenue				
Western Economic Diversification	294,963	-	**294,963**	294,963
Loan interest	-	114,062	**114,062**	110,584
Grant and sponsorship income	58,999	-	**58,999**	-
Service fees, donations and other	30,820	-	**30,820**	21,013
Other interest income	666	70	**736**	1,498
	385,448	**114,132**	**499,580**	428,058
Expenses				
Advertising	9,625	-	**9,625**	7,576
Bank charges	4,764	-	**4,764**	5,252
Board	1,580	-	**1,580**	2,385
Community partnership building	3,828	-	**3,828**	4,396
Event expenses	42,227	-	**42,227**	-
Insurance	2,028	-	**2,028**	2,110
Interest	-	22,115	**22,115**	19,737
Office and general	14,055	-	**14,055**	10,941
Professional fees	17,750	-	**17,750**	12,920
Projects	4,600	-	**4,600**	6,429
Provision for loan losses (recovery)	-	(14,299)	**(14,299)**	86,249
Rent	29,561	-	**29,561**	10,124
Salaries and benefits	254,250	-	**254,250**	246,889
Speaker expenses	7,723	-	**7,723**	-
Telephone and telecommunications	9,295	-	**9,295**	11,189
Training and education	-	-	-	1,150
Travel	14,292	-	**14,292**	13,549
	415,578	**7,816**	**423,394**	440,896
Excess (deficiency) of revenue over expenses before other items	**(30,130)**	**106,316**	**76,186**	(12,838)
Amortization	(2,268)	-	**(2,268)**	(2,893)
NEXTStep Summit	-	-	-	(12,540)
Excess (deficiency) of revenue over expenses	**(32,398)**	**106,316**	**73,918**	(28,271)

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, 2018

	Operating Fund	*Investment Fund*	***2018***	*2017*
Net assets (deficiency), beginning of year	171,682	(11,650)	**160,032**	188,303
Excess (deficiency) of revenue over expenses	(32,398)	106,316	**73,918**	(28,271)
Net assets, end of year	**139,284**	**94,666**	**233,950**	160,032

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, 2018

	Operating Fund	Investment Fund	2018	2017
Cash provided by (used for) the following activities				
Operating				
(Deficiency) excess of revenue over expenses	(32,398)	106,316	73,918	(28,271)
Amortization	2,268	-	2,268	2,893
Provision for loan losses, net of recoveries	-	(14,299)	(14,299)	86,249
	(30,130)	92,017	61,887	60,871
Changes in working capital accounts				
Accounts receivable	(9,610)	-	(9,610)	474
Prepaid expenses and deposits	15,561	-	15,561	(15,511)
Inter fund loan	2,882	(2,882)	-	-
Accounts payable and accruals	(4,280)	-	(4,280)	(3,845)
Deferred contributions	(51,096)	-	(51,096)	56,050
	(76,673)	89,135	12,462	98,039
Financing				
Issuance of share capital	-	-	-	7
Repayment on demand operating loan	-	(12,000)	(12,000)	(12,000)
	-	(12,000)	(12,000)	(11,993)
Investing				
Purchase of capital assets	(1,086)	-	(1,086)	-
Advances of loans receivable	-	(324,885)	(324,885)	(615,861)
Receipts of loans receivable	-	511,941	511,941	566,891
	(1,086)	187,056	185,970	(48,970)
Increase (decrease) in cash resources	(77,759)	264,191	186,432	37,076
Cash resources, beginning of year	236,378	502,406	738,784	701,708
Cash resources, end of year	158,619	766,597	925,216	738,784
Cash resources are composed of:				
Cash	57,953	766,597	824,550	638,784
Term deposits	100,666	-	100,666	100,000
	158,619	766,597	925,216	738,784

The accompanying notes are an integral part of these financial statements

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.

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 1.50% per annum (2017 - 0.67% 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.

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

Financial instruments

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

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

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

	2018	*2017*
Cash consists of the following internal allocations:		
Regular Investment Fund	**505,571**	251,827
Youth Investment Fund	**151,846**	144,058
Entrepreneurs with Disabilities Program	**109,180**	106,521
	766,597	502,406

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

5. Term deposit

The term deposit is a Guaranteed Investment Certificate bearing interest at 1.5% per annum, maturing March 29, 2019.

6. 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.

7. Loans receivable

	2018	2017
Loan Investment Fund - General	**1,561,979**	1,736,835
Provision for loan losses	**(119,053)**	(121,152)
	1,442,926	1,615,683
Less: current portion	**239,423**	316,159
	1,203,503	1,299,524

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:

	Balance, beginning of year	*Write-offs (net of recoveries)*	***2018 Balance, end of year***	*2017 Balance, end of year*
Loan Investment Fund - General	121,152	(2,099)	**119,053**	121,152

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 12.75% 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.

8. Capital assets

	Cost	***Accumulated amortization***	***2018 Net book value***	*2017 Net book value*
Computer equipment	**5,101**	**3,359**	**1,742**	1,171
Computer software	**7,790**	**4,545**	**3,245**	4,635
Furniture and fixtures	**1,725**	**1,089**	**636**	795
Leasehold improvements	**2,043**	**909**	**1,134**	1,338
	16,659	**9,902**	**6,757**	7,939

9. Demand operating loan

	2018	2017
Demand operating loan	**714,000**	726,000

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 (2017- $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 3.45% (2017- 2.70%).

10. 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.

The NEXTStep agreement with the Government of Alberta permits up to 50% of the costs incurred to be recognized as revenue during the year. The remainder is eligible for future use, if approved, or returned to the Government of Alberta, if requested.

Changes in the deferred contribution balance are as follows:

	2018	2017
Western Economic Diversification Canada		
Balance, beginning of year	**24,580**	24,580
Received during the year	**270,383**	294,963
Recognized as revenue during the year	**(294,963)**	(294,963)
Balance, end of year	**-**	24,580
SMARTStart Program funding		
Balance, beginning of year	**2,000**	-
Received during the year	**5,000**	2,000
Recognized as revenue during the year	**(2,000)**	-
Balance, end of year	**5,000**	2,000
NEXTStep Program funding		
Balance, beginning of year	**54,050**	-
Received during the year from the Government of Alberta	**-**	50,000
Received during the year from other donors	**11,483**	4,050
Recognized as revenue during the year	**(58,999)**	-
Balance, end of year	**6,534**	54,050
SHiFT Program funding		
Received during the year	**18,000**	-
	29,534	80,630

11. Share capital

		2018	2017
Issued			
9	Class A voting shares	**9**	9
12	Class B non-voting shares	**12**	12
		21	21

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, 2018, nil (2017 - seven) Class A voting shares were issued to new board members for consideration of $1.00 each. There were no new or exiting board members.

12. Externally restricted fund balance - Investment Fund

	2018	2017
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

13. 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:

2019	9,161
2020	2,400
	11,561

14. 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.

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 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, 2018

	2018	2017
Revenue		
Western Economic Diversification	**294,963**	294,963
Grant and sponsorship income	**58,999**	-
Service fees, donations and other	**30,820**	21,013
Other interest income	**666**	1,398
	385,448	317,374
Expenses		
Advertising	**9,625**	7,576
Bank charges	**4,764**	5,252
Board	**1,580**	2,385
Community partnership building	**3,828**	4,396
Event expenses	**42,227**	-
Insurance	**2,028**	2,110
Office and general	**14,055**	10,941
Professional fees	**17,750**	12,920
Projects	**4,600**	6,429
Rent	**29,561**	10,124
Salaries and benefits	**254,250**	246,889
Speaker expenses	**7,723**	-
Telephone and telecommunications	**9,295**	11,189
Training and education	-	1,150
Travel	**14,292**	13,549
	415,578	334,910
Deficiency of revenue over expenses	**(30,130)**	(17,536)