

**Community Futures
Northwest Alberta
Financial Statements**

March 31, 2013

Community Futures Northwest Alberta

Table of Contents

Year Ended March 31, 2013

	Page
Auditors' Report.....	1
Financial Statements	
Balance Sheet.....	2
Statement of Earnings and Changes in Unrestricted Net Asset.....	3
Statement of Earnings and Changes in Restricted Net Assets.....	4
Statement of Cash Flows.....	5
Notes to the Financial Statements.....	6-10

Auditors' Report

To the Board of Directors of
Community Futures Northwest Alberta

Report on the Financial Statements

We have audited the accompanying financial statements of Community Futures Northwest Alberta, which comprise the balance sheet as at March 31, 2013, and the statements of earnings and changes in unrestricted net assets, earnings and changes in restricted net assets 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 consolidated financial statements in accordance with Canadian generally accepted accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated 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' judgement, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 Northwest Alberta as at March 31, 2013, the results of its operations, change in unrestricted and restricted net assets and its cash flows for the year ended in accordance with Canadian generally accepted accounting principles.

Comparative Information

Without modifying our opinion, we draw attention to Note 3 to the financial statements which describes that Community Futures Northwest Alberta adopted Canadian accounting standards for not-for-profit organizations on April 1, 2012 with a transition date of April 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statement of financial position as at March 31, 2012 and April 1, 2011, and the statements of earnings and changes in unrestricted net assets, earnings and changes in restricted net assets and cash flows for the year ended March 31, 2012 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

Peace River, Alberta
June 18, 2013

MNP LLP
Chartered Accountants

MNP

Community Futures Northwest Alberta

Balance Sheet

As at March 31, 2013

	<u>Loan Investment Funds</u>				2013	2012	April 1 2011
	General Fund	Repayable	Non-Repay	Disabled			
Assets							
Current							
Cash in bank	141,456	52,386	460,079	23,717	677,638	185,977	119,922
Accounts receivable	4,491	43,363	75,111	402	123,367	236,256	265,413
Prepaid expenses	6,593	-	4,252	-	10,845	12,493	2,827
Assets held for resale	-	50,000	110,000	-	160,000	404,450	153,690
Inter-fund receivable	456	-	-	-	456	-	290
Current portion of loans (Note 6)	-	79,599	779,013	14,213	872,825	915,918	700,847
	152,996	225,348	1,428,455	38,332	1,845,131	1,755,094	1,242,989
Property and equipment (Note 4)	231,079	-	-	-	231,079	238,426	259,569
Investment loan receivable (Note 6)	-	238,798	2,337,040	42,639	2,618,477	2,895,611	2,950,428
Total assets	384,075	464,146	3,765,495	80,971	4,694,687	4,889,131	4,452,986
Liabilities and fund balances							
Current							
Bank indebtedness	-	-	-	-	-	14,567	57,187
Short-term debt (Note 8)	-	-	950,000	-	950,000	1,100,000	800,000
Accounts payable	167,562	-	-	-	167,562	167,828	120,103
Inter-fund payable	-	-	456	-	456	-	290
Current portion of long-term debt (Note 9)	7,850	-	-	-	7,850	7,562	7,284
	175,412	-	950,456	-	1,125,868	1,289,957	984,864
Long-term debt (Note 9)	137,167	-	-	-	137,167	145,017	152,579
	312,579	-	950,456	-	1,263,035	1,434,974	1,137,443
Net Assets							
Invested in property and equipment (Note 10)	86,062	-	-	-	86,062	85,847	99,706
Externally restricted (Note 7)	-	464,146	2,815,039	80,971	3,360,156	3,418,522	3,292,545
Unrestricted	(14,566)	-	-	-	(14,566)	(50,212)	(76,708)
	71,496	464,146	2,815,039	80,971	3,431,652	3,454,157	3,315,543
Total liabilities and fund balances	384,075	464,146	3,765,495	80,971	4,694,687	4,889,131	4,452,986

Approved on behalf of the Board

Director

Director

See accompanying notes to the financial statements

Community Futures Northwest Alberta
Statement of Earnings and Changes in Unrestricted Net Assets
Year Ended March 31, 2013

	2013	2012
Revenue		
WD contribution	319,963	319,963
REDI/Grow North	-	28,024
Residence	14,600	13,750
Vehicle	-	2,956
Other	160,810	194,264
	495,373	558,957
Operating expenses		
Accounting and audit	7,795	4,021
Advertising and promotion	6,942	4,856
Amortization	7,347	7,347
Bank charges	496	1,114
Board members expenses	5,783	2,953
Business development analyst - expenses	5,911	8,240
Conference expenses	5,306	750
Contracted services and wages	266,997	289,321
General manager - expenses	17,003	8,481
Insurance	3,148	5,403
Interest on long-term debt	5,600	5,878
Loss on disposal of property and equipment	-	3,797
Meeting expenses	2,283	4,252
Office manager - expenses	2	-
Office supplies and postage	19,582	17,938
Photocopier and computer lease	5,659	5,691
Programming	5,432	2,967
REDI/Grow North	(67)	27,988
Rent	26,745	26,520
Repairs and maintenance	5,485	6,270
Residence	9,626	10,063
Small equipment purchases	5,913	2,843
Special projects	19,710	74,125
Subscriptions and memberships	2,550	4,961
Telephone and facsimile	24,264	19,854
Vehicle	-	687
	459,512	546,320
Net earnings for the year	35,861	12,637
Unrestricted net assets, beginning of year	(50,212)	(76,708)
Transfer from restricted funds	-	-
Transfer from investment in property and equipment	(215)	13,859
Unrestricted net assets, end of year	(14,566)	(50,212)

See accompanying notes to the financial statements

Community Futures Northwest Alberta
Statement of Earnings and Changes in Restricted Net Assets
Year Ended March 31, 2013

	<i>Loan Investment Funds</i>			2013	2012
	<i>Repayable</i>	<i>Non-Repay</i>	<i>Disabled</i>		
Revenue					
Interest on bank deposits	129	922	68	1,119	683
Interest on loans	43,547	192,799	5,452	241,798	355,885
Recovery of expenses	700	-	-	700	417
Proceeds on sale of assets held for resale	-	246,760	-	246,760	37,000
	44,376	440,481	5,520	490,377	393,985
Expenses					
Bad debts expense (recovery)	123,728	130,246	-	253,974	173,566
Bank charges and interest on debt	28,971	487	-	29,458	29,100
Client support	-	4,296	-	4,296	1,714
Collection costs	-	14,255	-	14,255	17,628
Cost of assets held for resale	-	246,760	-	246,760	46,000
	152,699	396,044	-	548,743	268,008
Net earnings for the year	(108,323)	44,437	5,520	(58,366)	125,977
Interfund transfers	140,847	(137,125)	(3,722)	-	-
Transfers to operating fund	-	-	-	-	-
Earned fund balance, beginning of year	6,622	1,618,304	(120,827)	1,504,099	1,378,122
Earned fund balance, end of year	39,146	1,525,616	(119,029)	1,445,733	1,504,099
Original contributions	425,000	1,289,423	200,000	1,914,423	1,914,423
Total fund balance, end of year (Note 7)	464,146	2,815,039	80,971	3,360,156	3,418,522

See accompanying notes to the financial statements

Community Futures Northwest Alberta

Statement of Cash Flows

Year Ended March 31, 2013

	Operating Activities	Financing and Investing Activities			2013	2012
	General Fund	Loan Investment Funds				
		Repayable	Non-Repay	Disabled		
Sources of Cash						
WD Contribution	319,963	-	-	-	319,963	319,963
Investment income	-	20,904	300,032	5,626	326,562	321,416
Other revenue	210,098	700	157,008	-	367,806	331,054
Advances of short-term debt	-	-	-	-	-	300,000
Proceeds of sale of property and equipment	-	-	-	-	-	10,000
Inter-fund transfers	-	140,847	-	-	140,847	40,024
Investment loan repayments	-	19,194	1,246,623	15,242	1,281,059	1,357,484
	530,061	181,645	1,703,663	20,868	2,436,237	2,679,941
Uses of Cash						
Contracted services and wages	266,997	-	-	-	266,997	289,321
Materials and services	99,479	28,971	19,038	-	147,488	332,528
Repayment of short-term debt	-	-	150,000	-	150,000	-
Mortgage repayment	7,562	-	-	-	7,562	7,284
Investment loan advances	-	106,549	1,110,566	-	1,217,115	1,902,109
Inter-fund transfers	-	-	137,125	3,722	140,847	40,024
	374,038	135,520	1,416,729	3,722	1,930,009	2,571,266
Net increase in cash	156,023	46,125	286,934	17,146	506,228	108,675
Cash (bank indebtedness), beginning of year	(14,567)	6,261	173,145	6,571	171,410	62,735
Cash, end of year	141,456	52,386	460,079	23,717	677,638	171,410
Cash consists of:						
Cash in bank	141,456	52,386	460,079	23,717	677,638	185,977
Bank indebtedness	-	-	-	-	-	(14,567)
	141,456	52,386	460,079	23,717	677,638	171,410

See accompanying notes to the financial statements

Community Futures Northwest Alberta

Notes to the Financial Statements

March 31, 2013

1. Purpose of the organization

Community Futures Northwest Alberta is a community-based organization that provides loans and financial services to small businesses that are otherwise unable to obtain financing. The corporation is incorporated under the Alberta Companies Act as a non-profit organization. It is exempt from income taxes under the Income Tax Act as a non-profit organization.

The Community Futures Northwest Alberta (CFNA) was incorporated under the Business Corporations Act of the Province of Alberta on December 19, 1988 and commenced operational procedures under the auspices of the Ministry of Employment and Immigration Canada as part of the program for Canadian Job Strategy on April 18, 1989. On November 1, 1994, Northwest Community Futures Business Development Corporation assumed the operations of Northwest Economic Initiative Committee, and changed their name to MacKenzie Economic Development Corporation. Effective April 1, 2007, its name changed to Community Futures Northwest Alberta.

2. Significant accounting policies

Revenue Recognition — Restricted Fund Method

Community Futures Northwest Alberta follows the restricted method of accounting for contributions.

The General 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 Investment Fund for the Disabled 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.

Property and equipment

Property and equipment over \$2,500 are recorded at cost and are amortized over their estimated useful lives on a straight line basis as follows:

Furniture	5 years
Office equipment	5 years
Vehicles	6 years
Buildings	25 years

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term deposits with original maturities of three months or less.

Measurement Uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 revenues and expenses during the reporting period.

Accounts receivable and loans receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of Property and Equipment.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the periods in which they become known.

Community Futures Northwest Alberta

Notes to the Financial Statements

March 31, 2013

2. Significant accounting policies (continued)

Financial Instruments

Held for trading

The organization has classified the following financial assets as held for trading: cash and short term deposits. These instruments are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell these items are recorded on the settlement date and transaction costs are immediately recognized in excess of revenues over expenses

Held for trading financial instruments are subsequently measured at their fair value. Gains and losses arising from changes in fair value are recognized immediately in excess of revenues over expenses.

Loans and receivables

The organization has classified the following financial assets as loans and receivables: trade accounts receivable and long term loans receivable. These assets are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell these items are recorded on the settlement date and transaction costs are immediately recognized in excess of revenues over expenses.

Loans and receivables are subsequently measured at their amortized cost, using the effective interest method. Under this method, estimated future cash receipts are exactly discounted over the asset's expected life, or other appropriate method, to its net carrying value. Amortized cost is the amount at which the financial asset is measured at initial recognition less principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and less any reduction for impairment or uncollectibility. Gains or losses arising from changes in fair value are recognized in excess of revenues over expenses upon derecognition or impairment.

Other financial liabilities

The organization has classified the following financial liabilities as other financial liabilities: trade accounts payable and long term debt. These liabilities are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell these items are recorded on the settlement date and transaction costs are immediately recognized in excess of revenues over expenses.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Under this method, estimated future cash payments are exactly discounted over the amount at which the financial liabilities expected life, or other appropriate period, to its net carrying value. Amortized cost is the amount at which the financial liability is measured at initial recognition less principal repayments, and plus or minus the cumulative amortization using the effective interest method or any difference between that initial amount and the maturity amount. Gains and losses arising from changes in fair value are recognized in excess of revenues over expenses upon derecognition or impairment.

3. Impact of adopting accounting standards for not-for profit organizations

These are the Organization's first financial statements prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO). The accounting policies in Note 2 have been applied in preparing the financial statements for the year ended March 31, 2013, the comparative information for the year ended March 31, 2012 and the opening ASNPO balance sheet as at April 1, 2011 (the Organization's date of transition to ASNPO).

The transition to ASNPO has not affected the statement of financial position, statement of operations or statement of cash flows previously reported under Canadian generally accepted accounting principles (GAAP).

Community Futures Northwest Alberta
Notes to the Financial Statements

March 31, 2013

4. Property and equipment

	<i>Cost</i>	<i>Accumulated Depreciation</i>	<i>2013 Net Book Value</i>	<i>2012 Net Book Value</i>
Land	76,800	-	76,800	76,800
Furniture	9,976	9,976	-	-
Buildings	183,666	29,387	154,279	161,626
Office equipment	95,042	95,042	-	-
	365,484	134,405	231,079	238,426

5. Allowance for Credit Loss

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

	<i>2012 Ending Balance</i>	<i>Written Off</i>	<i>Collected</i>	<i>Provision for Credit Losses</i>	<i>2013 Ending Balance</i>
Loan Investment Fund - Repayable	70,735	(96,787)	-	123,702	97,650
Loan Investment Fund - Non - Repayable	243,895	(274,547)	-	149,056	118,404
	314,630	(371,334)	-	272,758	216,054

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

6. Loans receivable

Outstanding loans to entrepreneurs are interest bearing at fixed rates varying from 6.25% to 11% with monthly principal and interest repayments amortized for terms between 14 and 60 months. Security is taken on these loans as appropriate to the situation, and includes personal guarantees, general security agreements covering business assets and mortgages on land and building. This security is usually subordinated to those of a primary lender.

	<i>Repayable</i>	<i>Non-Repay</i>	<i>Disability</i>	<i>2013 Total</i>	<i>2012 Total</i>
Investment loans receivable	416,047	3,234,457	56,852	3,707,356	4,126,159
Less: Allowance for credit loss	97,650	118,404	-	216,054	314,630
	318,397	3,116,053	56,852	3,491,302	3,811,529
Less: Current portion	79,599	779,013	14,213	872,825	915,918
	238,798	2,337,040	42,639	2,618,477	2,895,611

Community Futures Northwest Alberta
Notes to the Financial Statements

March 31, 2013

7. Externally Restricted Net Assets

	<i>Repayable</i>	<i>Non-Repay</i>	<i>Disabled</i>	<i>Total</i>
Balance, beginning of year	431,622	2,907,727	79,173	3,418,522
Net earnings	(108,323)	44,437	5,520	(58,366)
Transfer to unrestricted	-	-	-	-
Inter-fund Transfers	140,847	(137,125)	(3,722)	-
Balance, end of year	464,146	2,815,039	80,971	3,360,156

Restricted net assets consist of:

Contributions	425,000	1,289,423	200,000	1,914,423
Accumulated earnings and transfers	(101,701)	1,662,741	(115,307)	1,445,733
Inter-fund Transfers	140,847	(137,125)	(3,722)	-
	464,146	2,815,039	80,971	3,360,156

Under the terms and conditions of the contribution agreement between the Corporation and the Department of Western Economic Diversification, the Conditionally Repayable Loan Funds are repayable if any of the following conditions occur:

- i. The Conditionally Repayable Investment Fund is not administered according to the terms and conditions specified in this Agreement; or
- ii. Based on reviews and evaluations of the operations and the Conditionally Repayable Investment Fund of the Corporation, the Conditionally Repayable Investment Fund is not providing a satisfactory level of benefits in terms of employment creation, the development of Community-owned or controlled businesses, and strengthening of the western Canadian economy; or
- iii. In the opinion of the Minister, the Conditionally Repayable Investment Fund is no longer necessary or relevant to the development of the western Canadian economy; or
- iv. The Agreement is Terminated as described in Section 16; or
- v. An event of default occurs, as described in Section 17 of the Agreement; or
- vi. The Minister does not approve terms and conditions to extend the project beyond March 31, 2012.

Community Futures Northwest Alberta Notes to the Financial Statements

March 31, 2013

8. Short-term line of credit

The organization holds a line of credit totalling \$1,750,000 of which \$950,000 was drawn as of March 31, 2013 (2012 – \$1,100,000). The interest rate included on the line of credit is fixed at prime at the date of initial draw down. Funds can be drawn in increments of \$50,000. The line of credit is payable on demand and in any case not later than sixty (60) months following the date of the first loan advance. Amount is secured by a demand promissory note executed by the Corporation and related general security agreement securing all assets and undertakings of the borrower.

9. Long term debt

	2013	2012
CIBC building mortgage with monthly payments of \$1,097 including interest at prime plus 0.8%, due July 2027, secured by the related building with a carrying value of \$187,579.	145,017	152,579
Less: current portion	7,850	7,562
	137,167	145,017

Principal payments over the next five years are as follows:

2014	7,850
2015	8,149
2016	8,459
2017	8,782
2018	9,116

10. Investment in Property and Equipment

	2013	2012
Balance, beginning of year	85,847	99,706
Mortgage repayment	7,562	7,284
Disposal of property and equipment	-	(13,796)
Advances of long-term debt	-	-
Amortization of property and equipment	(7,347)	(7,347)
	86,062	85,847

11. Economic Dependence

The Corporation receives approximately 78% of its operating revenue from the federal government and is economically dependant upon it.

12. 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 or credit risks arising from these financial instruments except as otherwise disclosed.

13. Commitments

As of March 31, 2013, the corporation had six loans that have been approved but not disbursed for \$241,557 (2012 – five loans for \$352,898).