

**Community Futures  
Northwest Alberta  
Financial Statements**  
*March 31, 2018*

# Community Futures Northwest Alberta

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Year Ended March 31, 2017

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## Auditors' Report

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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 statement of financial position as at March 31, 2018, 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 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 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, 2018, the results of its operations, change in unrestricted and restricted net assets and its cash flows for the year ended in accordance with Canadian accounting standards for not-for-profit organizations.

Peace River, Alberta  
June 26, 2018

*MNP LLP*  
Chartered Professional Accountants

# Community Futures Northwest Alberta Statement of Financial Position

As at March 31, 2018

As at March 31, 2018

	General Fund	Loan Investment Funds			2018	2017
		Repayable	Non-Repay	Disabled		
<b>Assets</b>						
<b>Current</b>						
Cash in bank	74,452	75,769	738,058	82,222	970,501	610,510
Accounts receivable	2,176	36	155,877	180	158,269	134,638
Prepaid expenses	518	-	-	-	518	4,527
Assets held for resale	-	-	60,000	-	60,000	110,000
Current portion of loans (Note 5)	-	35,416	525,578	19,691	580,685	510,126
	77,146	111,221	1,479,513	102,093	1,769,973	1,369,801
<b>Capital assets (Note 3)</b>	281,620	-	-	-	281,620	291,766
<b>CFLIP Investment (Note 15)</b>	-	-	772,777	-	772,777	751,561
<b>Investment loan receivable (Note 5)</b>	-	106,247	1,577,564	59,072	1,742,883	2,079,424
<b>Total assets</b>	358,766	217,468	3,829,854	161,165	4,567,253	4,492,552
<b>Liabilities and fund balances</b>						
<b>Current</b>						
Short-term debt (Note 7)	-	-	-	-	-	-
Accounts payable	52,012	-	296	-	52,308	52,546
Deferred revenue (Note 8)	-	-	-	-	-	29,333
Current portion of long-term debt (Note 9)	22,667	-	-	-	22,667	15,979
	74,679	-	296	-	74,975	97,858
<b>Long-term debt (Note 9)</b>	90,667	-	-	-	90,667	120,021
	165,346	-	296	-	165,642	217,879
<b>Net Assets</b>						
Invested in capital assets (Note 10)	168,287	-	-	-	168,287	155,766
Externally restricted (Note 6)	-	217,468	3,829,558	161,165	4,208,191	4,088,291
Internally restricted (Note 14)	166,427	-	-	-	166,427	166,427
Unrestricted	(141,294)	-	-	-	(141,294)	(135,811)
	193,420	217,468	3,829,558	161,165	4,401,611	4,274,673
<b>Total liabilities and fund balances</b>	358,766	217,468	3,829,854	161,165	4,567,253	4,492,552

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, 2018

	2018	2017
<b>Revenue</b>		
WD contribution	319,963	319,963
Other	66,899	45,413
Gain on sale of capital assets	-	-
	<b>386,862</b>	<b>365,376</b>
<b>Operating expenses</b>		
Advertising and promotion	12,003	5,270
Amortization	10,146	10,146
Audit and legal fees	11,009	10,414
Bank charges	436	549
Board members expenses	2,029	5,746
Business development expenses	6,000	-
General manager - expenses	7,026	13,400
Insurance	4,346	5,434
Interest on long-term debt	5,245	-
Meeting and travel expenses	4,130	468
Office expenses	19,453	20,623
Programming	-	333
Property tax	2,472	2,596
Rent	-	30,000
Repairs and maintenance	8,243	6,004
Small equipment purchases	3,774	600
Special projects	1,514	10,776
Subscriptions and memberships	1,360	1,302
Telephone, fax and internet	15,705	16,820
Utilities	6,308	5,794
Wages	258,625	237,498
	<b>379,824</b>	<b>383,773</b>
<b>Net earnings (loss) for the year</b>	<b>7,038</b>	<b>(18,397)</b>
<b>Unrestricted net assets, beginning of year</b>	<b>(135,811)</b>	<b>(465)</b>
<b>Transfer (to) from internally restricted funds</b>	<b>-</b>	<b>-</b>
<b>Transfer (to) from externally restricted funds</b>	<b>-</b>	<b>(8,095)</b>
<b>Transfer (to) from investment in capital assets</b>	<b>(12,521)</b>	<b>(108,854)</b>
<b>Unrestricted net assets, end of year</b>	<b>(141,294)</b>	<b>(135,811)</b>

See accompanying notes to the financial statements



# Community Futures Northwest Alberta

## Statement of Earnings and Changes in Restricted Net Assets

Year Ended March 31, 2018

	<i>Loan Investment Funds</i>				
	<i>Repayable</i>	<i>Non-Repay</i>	<i>Disabled</i>	<b>2018</b>	<b>2017</b>
Revenue					
Interest on bank deposits	33	2,518	83	<b>2,634</b>	2,382
Interest on loans	39,289	187,070	6,536	<b>232,895</b>	280,369
Recovery of expenses	2,350	21,217	-	<b>23,567</b>	3,661
	41,672	210,805	6,619	<b>259,096</b>	286,412
Expenses					
Bad debts expense (recovery)	100,464	25,342	-	<b>125,806</b>	81,913
Bank charges and interest on debt	341	1,892	-	<b>2,233</b>	3,693
Client support	-	180	-	<b>180</b>	1,924
Collection costs	-	10,977	-	<b>10,977</b>	11,542
	100,805	38,391	-	<b>139,196</b>	99,072
Net earnings (loss) for the year	(59,133)	172,414	6,619	<b>119,900</b>	187,340
Interfund transfers	(3,952)	3,957	(5)	-	-
Transfers from operating fund	-	-	-	-	8,095
Earned fund balance, beginning of year	(144,447)	2,363,764	(45,449)	<b>2,173,868</b>	1,978,433
Earned fund balance, end of year	(207,532)	2,540,135	(38,835)	<b>2,293,768</b>	2,173,868
Original contributions	425,000	1,289,423	200,000	<b>1,914,423</b>	1,914,423
Total fund balance, end of year (Note 6)	217,468	3,829,558	161,165	<b>4,208,191</b>	4,088,291

See accompanying notes to the financial statements

# Community Futures Northwest Alberta

## Statement of Cash Flows

Year Ended March 31, 2018

	General Fund	Repayable	Non-Repay	Disabled	2018	2017
<b>Cash provided by (used) for the following:</b>						
<b>Operating</b>						
Cash receipts from WD	319,963	-	-	-	<b>319,963</b>	319,963
Cash receipts from income	-	43,041	157,331	7,169	<b>207,541</b>	240,940
Cash receipts from other revenue	41,922	2,350	-	-	<b>44,272</b>	45,216
Transfer from operating fund	-	-	-	-	-	8,095
Advances of investment loans	-	(19,674)	(285,360)	(85,000)	<b>(390,034)</b>	(792,610)
Repayments of investment loans	-	37,333	458,776	84,101	<b>580,210</b>	1,022,487
Cash paid for contracted services and wages	(258,625)	-	-	-	<b>(258,625)</b>	(237,498)
Cash paid for materials and services	(109,466)	1,549	(12,752)	-	<b>(120,669)</b>	(171,494)
	(6,206)	64,599	317,995	6,270	<b>382,658</b>	435,099
<b>Investing</b>						
Purchase of capital assets	-	-	-	-	-	(255,000)
Proceeds on disposal of capital assets	-	-	-	-	-	-
Investment in CFLIP	-	-	-	-	-	(750,000)
Inter-fund transfers	-	(3,952)	-	(5)	<b>(3,957)</b>	(80,285)
	-	(3,952)	-	(5)	<b>(3,957)</b>	(1,085,285)
<b>Financing</b>						
Repayment of short-term debt	-	-	-	-	-	-
Advance of debt	-	-	-	-	-	136,000
Mortgage repayment	(22,667)	-	-	-	<b>(22,667)</b>	-
Inter-fund transfers	-	-	3,957	-	<b>3,957</b>	80,285
	(22,667)	-	3,957	-	<b>(18,710)</b>	216,285
<b>Increase (decrease) in cash resources</b>	(28,873)	60,647	321,952	6,265	<b>359,991</b>	(433,901)
<b>Cash resources, beginning of year</b>	103,325	15,122	416,106	75,957	<b>610,510</b>	1,044,411
<b>Cash resources, end of year</b>	74,452	75,769	738,058	82,222	<b>970,501</b>	610,510
<b>Cash resources consists of:</b>						
Cash in bank	74,452	75,769	738,058	82,222	<b>970,501</b>	610,510

See accompanying notes to the financial statements

# Community Futures Northwest Alberta

## Notes to the Financial Statements

March 31, 2018

### 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.

#### Capital assets

Capital assets 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 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 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 capital assets.

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, 2018

### 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.

#### Long-lived assets and discontinued operations

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 policies.

The organization performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying amount of an asset, or group of assets, may not be recoverable. The carrying amount of a long-lived asset is not recoverable if the carrying amount exceeds the sum of the undiscounted future cash flows from its use and disposal. If the carrying amount is not recoverable, impairment is then measured as the amount by which the asset's carrying amount exceeds its fair value. Fair value is measured using prices for similar items. Any impairment is included in earnings for the year.

Long-lived assets are classified as held for sale when all of the following criteria are met:

- The Board of Directors, having the authority to approve the action, commits the organization to a plan to sell the assets;
- The asset is available for immediate sale in its present condition;
- The organization has initiated an active program to locate a buyer;
- The sale is probable, and is expected to qualify for recognition as a completed sale within one year;
- The asset is being actively marketed for sale at a reasonable price relative to its fair value; and
- It is unlikely that the plan to sell the asset will be withdrawn or that significant changes will be made to the plan.

Long-lived assets classified as held for sale are initially measured at the lower of the carrying amount and fair value less costs to sell, and are not amortized. Subsequent increases in fair value not in excess of the cumulative loss previously recorded are recognized as gains.

## Community Futures Northwest Alberta Notes to the Financial Statements

March 31, 2018

### 3. Capital assets

	<i>Cost</i>	<i>Accumulated Depreciation</i>	<b>2018 Net Book Value</b>	<b>2017 Net Book Value</b>
Land	87,500	-	<b>87,500</b>	87,500
Furniture	9,976	9,976	-	-
Buildings	211,000	16,880	<b>194,120</b>	202,560
Office equipment	103,573	103,573	-	1,706
	<b>412,049</b>	<b>130,429</b>	<b>281,620</b>	<b>291,766</b>

### 4. 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>2017 Ending Balance</i>	<i>Written Off</i>	<i>Deemed Collectible/ Collected</i>	<i>Provision for Credit Losses</i>	<b>2018 Ending Balance</b>
Loan Investment Fund - Repayable	50,942	(50,000)	-	-	<b>942</b>
Loan Investment Fund - Non - Repayable	85,000	-	-	22,500	<b>107,500</b>
	<b>135,942</b>	<b>(50,000)</b>	<b>-</b>	<b>22,500</b>	<b>108,442</b>

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.

### 5. Loans receivable

Outstanding loans to entrepreneurs are interest bearing at fixed rates varying from 8.25% to 10% with monthly principal and interest repayments amortized for terms between 12 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>	<b>2018 Total</b>	<b>2017 Total</b>
Investment loans receivable	142,605	2,210,642	78,763	<b>2,432,010</b>	2,725,492
Less: Allowance for credit loss	(942)	(107,500)	-	<b>(108,442)</b>	(135,942)
	141,663	2,103,142	78,763	<b>2,323,568</b>	2,589,550
Less: Current portion	(35,416)	(525,578)	(19,691)	<b>(580,685)</b>	(510,126)
	<b>106,247</b>	<b>1,577,564</b>	<b>59,072</b>	<b>1,742,883</b>	<b>2,079,424</b>

**Community Futures Northwest Alberta**  
**Notes to the Financial Statements**

*March 31, 2018*

**6. Externally restricted net assets**

	<i>Repayable</i>	<i>Non-Repay</i>	<i>Disabled</i>	<b>2018</b>	2017
Balance, beginning of year	280,553	3,653,187	154,551	<b>4,088,291</b>	3,892,856
Net earnings (loss)	(59,133)	172,414	6,619	<b>119,900</b>	187,340
Inter-fund transfers	(3,952)	3,957	(5)	-	-
Transfers from operating fund	-	-	-	-	8,095
<b>Balance, end of year</b>	<b>217,468</b>	<b>3,829,558</b>	<b>161,165</b>	<b>4,208,191</b>	<b>4,088,291</b>
Restricted net assets consist of:					
Contributions	425,000	1,289,423	200,000	<b>1,914,423</b>	1,914,423
Accumulated earnings and transfers	(203,580)	2,536,178	(38,830)	<b>2,293,768</b>	2,173,868
Inter-fund transfers	(3,952)	3,957	(5)	-	-
	<b>217,468</b>	<b>3,829,558</b>	<b>161,165</b>	<b>4,208,191</b>	<b>4,088,291</b>

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



## Community Futures Northwest Alberta

### Notes to the Financial Statements

March 31, 2018

#### 7. Short-term line of credit

The organization holds a line of credit totalling \$1,750,000 of which \$nil was drawn as of March 31, 2018 (2017 – \$nil). 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 (the loan was first advanced in 2010). Amount is secured by a demand promissory note executed by the organization and related general security agreement securing all assets and undertakings of the borrower.

#### 8. Deferred revenue

	2018	2017
Western Economic Diversification	-	29,333
RABC Funding	-	-
	-	29,333

#### 9. Long term debt

	2018	2017
Balance, beginning of year	136,000	-
Advances	-	136,000
Payments	(27,911)	-
Interest	5,245	-
Balance, end of year	113,334	136,000
Less: current portion	22,667	15,979
	90,667	120,021

BMO building mortgage with monthly payments of \$1,889 including interest at prime plus 1.25%, effective rate of 3.95%, secured by the related building with a net book value of \$194,120, maturing 2024.

#### 10. Investment in Capital assets

	2018	2017
Balance, beginning of year	155,766	46,912
Mortgage (advance) repayment	-	(136,000)
Purchase of property and equipment	-	255,000
Disposal of property and equipment	-	-
Long term debt repayments	22,667	-
Amortization of capital assets	(10,146)	(10,146)
	168,287	155,766



## Community Futures Northwest Alberta Notes to the Financial Statements

March 31, 2018

### 11. Economic Dependence

The Organization receives 82% (2017 - 87%) of its operating revenue from the federal government and is economically dependant upon it. The Organization's ability to continue viable operations is dependent upon maintaining its right to follow the criteria within the provincial government guidelines. As at the date of these financial statements the Organization believes that it is in compliance with the guidelines.

### 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, 2018, the corporation has no loans that have been approved but not disbursed (2017 – two loans for \$185,000).

### 14. Internally Restricted Net Assets

	2018	2017
Balance, beginning of year	166,427	166,427
Transfer from unrestricted surplus	-	-
Balance, end of year	166,427	166,427

### 15. CFLIP Investment

The Organization receives 2.64% interest on the investment with CFLIP. The Organization must also give at least 15 days notice to CFLIP if they are going to withdraw any of the funds.

### 16. Subsequent events

Subsequent to year-end, \$350,000 was transferred into Community Futures Lending Investment Fund Pool to be in compliance with section xiv of the investment fund policy per the agreement with Western Economic Diversification Canada.