

**COMMUNITY FUTURES WEST YELLOWHEAD**

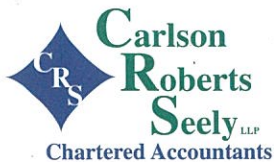
**FINANCIAL STATEMENTS**

**MARCH 31, 2014**

# COMMUNITY FUTURES WEST YELLOWHEAD

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the  
**COMMUNITY FUTURES WEST YELLOWHEAD**

We have audited the accompanying financial statements of Community Futures West Yellowhead, which comprise the statement of financial position as at March 31, 2014 and the statements of revenues and expenditures, changes in 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 auditor's 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 West Yellowhead as at March 31, 2014 and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

*Carlson Roberts Seely LLP.*

Drayton Valley, Alberta  
May 22, 2014

CHARTERED ACCOUNTANTS

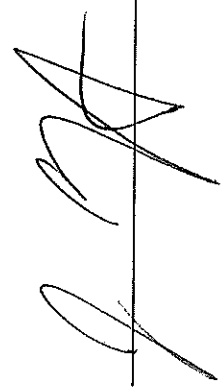
**COMMUNITY FUTURES WEST YELLOWHEAD**  
**Statement of Financial Position**  
**March 31, 2014**

	General Fund	Loan Investment Funds			March 31 2013 Total
		Non-repayable	Repayable	Disabled	
<b>ASSETS</b>					
<b>CURRENT</b>					
Cash and short term investments (Note 2)	\$ 335,142	\$ 643,830	\$ (347,824)	\$ 273,215	\$ 927,458
Accounts receivable (Note 3)	1,362	-	-	-	3,694
Prepaid expenses	3,838	-	-	-	6,714
Accrued interest receivable (Note 4)	-	6,372	4,294	-	16,981
Current portion of investment loans receivable (Note 6)	-	237,237	215,111	-	529,131
	340,342	887,439	(128,419)	273,215	1,483,978
<b>PROPERTY AND EQUIPMENT (Note 5)</b>	9,395	-	-	-	7,486
<b>INVESTMENT LOANS RECEIVABLE (Note 6)</b>	-	640,414	826,347	-	1,466,761
	\$ 349,737	\$ 1,527,853	\$ 697,928	\$ 273,215	\$ 2,912,032

**COMMUNITY FUTURES WEST YELLOWHEAD**  
**Statement of Financial Position (cont'd)**  
**March 31, 2014**

	General Fund	Loan Investment Funds			March 31 2013 Total
		Non-repayable	Repayable	Disabled	
<b>LIABILITIES AND NET ASSETS</b>					
<b>CURRENT LIABILITIES</b>					
Short-term debt (Note 7)	\$ -	\$ -	\$ 271,190	\$ -	\$ 271,190
Accounts payable and accrued liabilities	16,814	-	-	-	16,814
Reserve for leadership West Yellowhead	-	-	-	-	-
Deferred revenue (Note 8)	103,141	-	-	-	103,141
	119,955	-	271,190	-	391,145
<b>NET ASSETS</b>					
Externally restricted (Note 9)	-	1,527,853	426,738	273,215	2,227,806
Unrestricted	229,782	-	-	-	229,782
	229,782	1,527,853	426,738	273,215	2,457,588
	\$ 349,737	\$ 1,527,853	\$ 697,928	\$ 273,215	\$ 2,848,733
					\$ 2,912,032

ON BEHALF OF THE BOARD

  
 \_\_\_\_\_  
 Director

The accompanying notes are an integral part of this statement

**COMMUNITY FUTURES WEST YELLOWHEAD**  
**Statement of Income and Changes in General Fund Balance**  
**Year Ended March 31, 2014**

	2014	2013
<b>REVENUE</b>		
Federal contracts	\$ 294,963	\$ 294,963
Rural Alberta Business Centre contract	97,012	99,619
Other	16,573	5,705
Loan fees	12,219	9,070
Interest	2,909	2,848
Other contracts	1,860	2,410
Leadership West Yellowhead	-	14,545
	<u>425,536</u>	<u>429,160</u>
<b>EXPENSES</b>		
Advertising and promotion	5,434	1,628
Amortization	4,741	3,229
Bank charges, loan costs	3,024	2,829
Board member expense	11,268	10,379
Books and publications	1,784	1,553
Convention expense	4,077	1,710
GST not recovered	-	601
Insurance	4,067	3,964
Leadership West Yellowhead	-	57,817
Maintenance and repairs	2,009	2,449
NAYEC	2,850	1,350
Office rent	31,924	32,995
Office supplies	3,827	3,399
Postage and delivery	467	628
Professional, accounting and audit	14,270	10,547
Programs	3,792	560
Rural Alberta Business Centre	97,012	99,619
Salaries and benefits	185,969	202,420
Seminars, training	3,410	1,200
Telephone	7,038	5,695
Travel	9,627	7,192
Utilities, janitorial	3,982	4,925
	<u>400,572</u>	<u>456,689</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b>	<b>24,964</b>	<b>(27,529)</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u><b>204,818</b></u>	<u><b>232,347</b></u>
<b>NET ASSETS, END OF YEAR</b>	<u><b>\$ 229,782</b></u>	<u><b>\$ 204,818</b></u>

The accompanying notes are an integral part of this statement

**COMMUNITY FUTURES WEST YELLOWHEAD**  
**Statement of Income and Changes in Restricted Fund Balance**  
**Year Ended March 31, 2014**

	<u>Loan Investment Funds</u>			2014 Total	2013 Total
	Non - repayable	Repayable	Disabled		
<b>REVENUE</b>					
Bank interest	\$ 2,989	\$ 7,354	\$ 1,328	\$ 11,671	\$ 10,663
Investment interest	85,199	90,962	-	176,161	164,614
	88,188	98,316	1,328	187,832	175,277
<b>EXPENSES</b>					
Provision (recovery) for investment losses	56,782	8,931	-	65,713	211,200
Interest on credit facility	5,448	6,464	-	11,912	9,977
Portfolio recovery expense	814	5,529	-	6,343	4,969
	63,044	20,924	-	83,968	226,146
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b>	25,144	77,392	1,328	103,864	(50,869)
<b>EARNED NET ASSETS, BEGINNING OF YEAR</b>	395,590	(100,654)	71,887	366,823	417,692
<b>EARNED NET ASSETS, END OF YEAR</b>	420,734	(23,262)	73,215	470,687	366,823
<b>ORIGINAL CONTRIBUTIONS</b>	1,107,119	450,000	200,000	1,757,119	1,757,119
<b>NET ASSETS, END OF YEAR</b>	\$ 1,527,853	\$ 426,738	\$ 273,215	\$ 2,227,806	\$ 2,123,942

The accompanying notes are an integral part of this statement

**COMMUNITY FUTURES WEST YELLOWHEAD**  
**Statement of Cash Flow**  
**Year Ended March 31, 2014**

	General Fund	Loan Investment Funds			2014 Total	2013 Total
		Non - repayable	Repayable	Disabled		
<b>SOURCES OF CASH</b>						
Government funding	\$ 319,543	\$ -	\$ -	\$ -	\$ 319,543	\$ 294,963
Investment income	2,909	94,216	97,601	1,328	196,054	175,040
Loan repayments	-	481,165	344,924	-	826,089	728,698
Proceeds from short-term debt	-	-	-	-	-	250,000
Other contracts	104,295	-	-	-	104,295	135,897
Other revenue and loan fees	31,124	-	-	-	31,124	35,985
	457,871	575,381	442,525	1,328	1,477,105	1,620,583
<b>USES OF CASH</b>						
Salaries and benefits	185,969	-	-	-	185,969	202,420
Materials and services	204,728	-	-	-	204,728	276,363
Interest and portfolio expenses	-	6,262	11,993	-	18,255	14,946
Repayment of short-term debt	-	-	224,388	-	224,388	4,422
Capital asset purchases	6,650	-	-	-	6,650	-
Investment loan advances	-	320,145	540,065	-	860,210	1,087,919
	397,347	326,407	776,446	-	1,500,200	1,586,070
<b>NET INCREASE (DECREASE) IN CASH</b>						
	60,524	248,974	(333,921)	1,328	(23,095)	34,513
<b>CASH, BEGINNING</b>						
	274,618	395,192	(14,239)	271,887	927,458	892,945
<b>INTERFUND TRANSFER</b>						
	-	(336)	336	-	-	-
<b>CASH, ENDING</b>						
	\$ 335,142	\$ 643,830	\$ (347,824)	\$ 273,215	\$ 904,363	\$ 927,458

The accompanying notes are an integral part of this statement.



**COMMUNITY FUTURES WEST YELLOWHEAD**  
**Notes to the Financial Statements**  
**March 31, 2014**

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**1. SIGNIFICANT ACCOUNTING POLICIES**

The Corporation is a community-based non-profit organization incorporated under the Alberta Corporations Act as a non-profit organization and accordingly is exempt from income taxes under the Income Tax Act. With the financial support of the Government of Canada, it provides loans and financial services to small businesses otherwise unable to obtain financing, delivers government services and programs related to employment and economic development, provides training and business advisory services, and contributes leadership and expertise in economic development to local communities.

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

**Fund Accounting**

The Corporation follows the restricted fund method of accounting.

The General Fund accounts for the organization's operating costs, operating grants and general revenues. Project funding is reported as revenue and the related project costs are included in various categories of expense. Cash balances in excess of those required to fund loans approved are retained in the general fund for efficient investment in short term securities. Net transfers of cash appear as inter-fund transfers and the accumulated balance is reflected as inter-fund receivables and payables.

The Loan Investment Funds report 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 Loan 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 Government of Canada.

**Recognition of Contributions**

Federal contracts and grants are included in revenue in the year in which they are received or become receivable, with the exception that amounts received to fund specific expenditures are included in revenue in the year the funds are expended.

**Recognition of Other Revenues**

Revenue from all other sources is included in revenue in the year in which it is received or becomes receivable.

**Contributed Services**

The Corporation would not be able to carry out its activities without the services of the many volunteers who donate a considerable number of hours. Because of the difficulty of compiling these hours, contributed services are not recognized in the financial statements.

**Cash and Cash Equivalents**

Cash and cash equivalents consist of balances with banks and short-term investments with maturities not exceeding 90 days.

**Investment Loans and Accrued Interest Receivable**

Investment loans receivable are classified as held to maturity financial instruments and are recorded at the lower of principal plus accrued interest and estimated realizable value.

Interest income from loans is recorded on the accrual basis for all loans not classified as impaired. Loans are classified as impaired when there is reasonable doubt as to the timely collection of some portion of principal or interest. This assessment is made by management and the Board of Directors.

When a loan is classified as impaired, recognition of interest income in accordance with the original loan agreement ceases. Any subsequent payments received on an impaired loan are applied to reduce the recorded investment in the loan.

**COMMUNITY FUTURES WEST YELLOWHEAD**  
**Notes to the Financial Statements**  
**March 31, 2014**

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**1. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**Allowance for Doubtful Loans**

The Allowance for Doubtful Loans is calculated by management based on specific doubtful loans plus 3% (3% - 2013) of the rest of the portfolio.

**Property and Equipment**

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Equipment is amortized over their estimated useful lives on a declining balance basis at the following rates.

Office equipment, furniture	20% declining-balance method
Computer equipment	55% declining-balance method
Leasehold improvements	20% declining-balance method
S.E.A. equipment	20% declining-balance method

Amortization expense is reported in the General Fund.

**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 amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

**Financial Instruments**

Held for trading

The Corporation has classified the following financial assets and liabilities as held for trading: cash and short term investments. 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.

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 net income.

Loans and receivables

The Corporation 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.

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 the 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 net income from derecognition or impairment.

**COMMUNITY FUTURES WEST YELLOWHEAD**  
**Notes to the Financial Statements**  
**March 31, 2014**

**1. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**Financial Instruments (Con't)**

Other financial liabilities

The Corporation has classified the following financial liabilities as other financial liabilities: accounts payable and accruals. 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.

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 liability's expected life, or other appropriate period, to its net carry 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 of any difference between the initial amount and the maturity amount. Gains and losses arising from the changes in fair value are recognized in net income upon derecognition or impairment.

**2. CASH**

Cash is comprised of:

	2014 Total	2013 Total
Cash	\$ 343,113	\$ 284,538
Short term investments	561,250	642,920
	\$ 904,363	\$ 927,458

**3. ACCOUNTS RECEIVABLE**

Accounts receivable is comprised of:

	2014 Total	2013 Total
Trade	\$ -	\$ 2,250
GST receivable	1,362	1,444
	\$ 1,362	\$ 3,694

**4. ACCRUED INTEREST RECEIVABLE**

Loan Investment Funds

	Non - repayable	Repayable	Disabled	2014 Total	2013 Total
Interest in arrears	\$ 6,372	\$ 5,714	\$ -	\$ 12,086	\$ 19,402
Less: provision for loan losses	-	(1,420)	-	(1,420)	(2,421)
	\$ 6,372	\$ 4,294	\$ -	\$ 10,666	\$ 16,981

**COMMUNITY FUTURES WEST YELLOWHEAD**  
**Notes to the Financial Statements**  
**March 31, 2014**

**5. PROPERTY AND EQUIPMENT**

	Cost	Accumulated Amortization	NBV 2014	NBV 2013
Office equipment, furniture	\$ 90,420	\$ (88,647)	\$ 1,773	\$ 1,552
Computer equipment	124,924	(122,464)	2,460	1,396
Leasehold improvements	30,951	(25,789)	5,162	4,538
S.E.A. equipment	15,437	(15,437)	-	-
	<b>\$ 261,732</b>	<b>\$ (252,337)</b>	<b>\$ 9,395</b>	<b>\$ 7,486</b>

When taking the fixed asset inventory, the S.E.A. equipment was included in the various other categories. Original investment reflects amounts invested since inception.

**6. INVESTMENT LOANS RECEIVABLE**

Loan Investment Funds

	Non - repayable	Repayable	Disabled	2014 Total	2013 Total
Loans receivable	\$ 967,745	\$ 1,205,606	\$ -	\$ 2,173,351	\$ 2,151,011
Less: allowance for loan impairment	(90,094)	(164,148)	-	(254,242)	(201,312)
Less: current portion	(237,237)	(215,111)	-	(452,348)	(529,131)
	<b>\$ 640,414</b>	<b>\$ 826,347</b>	<b>\$ -</b>	<b>\$ 1,466,761</b>	<b>\$ 1,420,568</b>

**ALLOWANCE FOR LOAN IMPAIRMENT:**

Balance beginning of year	\$ (33,870)	\$ (167,442)	\$ -	\$ (201,312)	\$ (262,181)
Provision for loan losses	(56,224)	(8,931)	-	(65,155)	(208,008)
Amounts written off to the allowance	-	12,225	-	12,225	268,877
Amounts recovered from the allowance	-	-	-	-	-
Balance end of year	<b>\$ (90,094)</b>	<b>\$ (164,148)</b>	<b>\$ -</b>	<b>\$ (254,242)</b>	<b>\$ (201,312)</b>
Total recorded investment on impaired loans	<b>\$ 72,944</b>	<b>\$ 131,944</b>	<b>\$ -</b>	<b>\$ 204,888</b>	<b>\$ 141,058</b>

In accordance with the Corporation's objectives, the Corporation has provided loans to small businesses. Outstanding loans to entrepreneurs are interest bearing at fixed rates varying from 3% to 11% per annum with monthly blended principal and interest repayments amortized for terms between 12 and 120 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 property.

**7. SHORT TERM DEBT**

The Corporation has a credit facility of \$750,000 from Community Futures Network of Alberta. As at March 31, 2014, the Corporation used \$271,190 (\$495,578 in 2013) from its credit facility. As a security for the repayment, the Society provided a general security agreement and a promissory note for the total amount of the loan.

**COMMUNITY FUTURES WEST YELLOWHEAD**  
**Notes to the Financial Statements**  
**March 31, 2014**

**8. DEFERRED REVENUE**

Deferred revenues represent the amount of the restricted contributions that are related to disbursements of future periods. During the year, the corporation received funds for the Rural Alberta Business Centre "RABC" from the Government of Alberta. These funds are disbursed in accordance with the signed grant agreement.

	2014 Total	2013 Total
Rural Alberta Business Centre	\$ 40,316	\$ 73,138
Western Economic Diversification Canada Grant	24,580	-
Alberta Government Labour Market Partnership Program Grant	19,695	-
Alberta Government Business Retention and Expansion Grant	18,550	-
	\$ 103,141	\$ 73,138

**9. EXTERNALLY RESTRICTED NET ASSETS**

Loan funds contributed by the government are classified as non-repayable, repayable and disabled according to the nature of the restrictions placed on their use and the term of the program for which they were advanced. Externally imposed restrictions on loan investment fund balances are as follows:

	2014	2013
Non-Repayable	\$ 1,527,853	\$ 1,502,709
Repayable	426,738	349,346
Disabled	273,215	271,887
	\$ 2,227,806	\$ 2,123,942

Repayable and disabled funds, as of the balance sheet date, are repayable on demand under certain conditions. Under the terms and conditions of the contribution agreement with the Department of Western Economic Diversification, loan investment funds include Conditionally Repayable Loan Funds in the amount of \$1,757,119 that are repayable if any of the following conditions occur:

- a) The Conditionally Repayable Investment fund is not administered according to the terms and conditions specified in the Agreement; or
- b) Based on review and evaluations of the operations and the Conditionally Repayable Investment Fund of the Corporation, the Conditionally Repayable Investment Fund is not provision 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
- c) 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
- d) The Agreement is terminated as described in Section 12 of the Agreement; or
- e) An event of default occurs as described in Section 7 of the Agreement; or
- f) The Minister does not approve terms and conditions to extend the project beyond March 31, 2015.

**10. ECONOMIC DEPENDENCE**

The Corporation receives a significant portion of its operating revenues from the Federal and Provincial governments and is economically dependent upon them.

**COMMUNITY FUTURES WEST YELLOWHEAD**  
**Notes to the Financial Statements**  
**March 31, 2014**

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**11. FINANCIAL INSTRUMENTS**

The Corporation is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Corporation's risk exposure and concentration as of March 31, 2014.

*Credit risk*

The Corporation is exposed to credit risk on investment loans receivable from its applicants. In order to reduce its risk, the Corporation has adopted credit policies and all loans are approved by the Board of Directors. The corporation also provides for doubtful accounts based on estimated realizable value of the investment loans receivable.

*Liquidity risk*

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The company is exposed to this risk mainly in respect of its receipt of funds from its loan clients and other related sources, short-term debt and accounts payable.

The Corporation is exposed to this risk mainly in respect of its receipt of funds from its loan clients and other related sources, short-term debt and accounts payable.

*Interest rate risk*

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates.

In seeking to minimize the risks from interest rate fluctuations, the Corporation manages exposure through its normal operating and financing activities. The Corporation is exposed to interest rate risk primarily through its floating interest rate on short-term debt.

*Changes in risk*

There have been no changes in the Corporation's risk exposures from the prior year.