

**Community Futures  
Lesser Slave Lake Region**

**Financial Statements**

**March 31, 2016**

# Community Futures Lesser Slave Lake Region

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Allan J. Grykuliak, C.A.\*  
Scott T. Mockford, C.A.\*

\* Operates as a Professional Corporation

## AUDITORS' REPORT

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Edmonton, Alberta T5H 0Y1  
Tel (780) 452-2300, Fax (780) 452-2335

### To the Members of Community Futures Lesser Slave Lake Region

We have audited the accompanying financial statements of the **Community Futures Lesser Slave Lake Region** which comprise the statement of financial position as at March 31, 2016 and the statements of capital asset fund, operations and change in fund balances 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 audit standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 preparations 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.

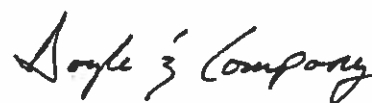
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Community Futures Lesser Slave Lake Region as at March 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Edmonton, Alberta

June 14, 2016



Chartered Accountants

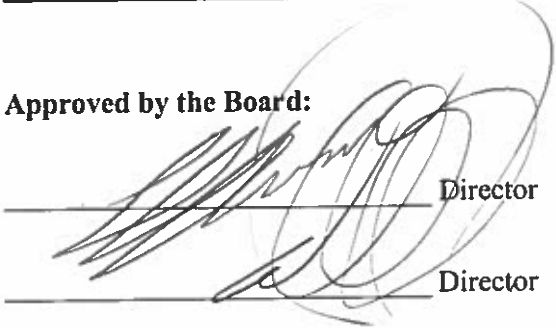
# Community Futures Lesser Slave Lake Region

## Statement of Financial Position

As at March 31, 2016

|  | Operating<br>Fund<br>\$ | General<br>\$    | Investment Fund<br>Disabled<br>\$ | Youth<br>\$    | Total<br>2016<br>\$ | Total<br>2015<br>\$ |
|--|-------------------------|------------------|-----------------------------------|----------------|---------------------|---------------------|
| <b>Current assets</b>                                |                         |                  |                                   |                |                     |                     |
| Cash   | 37,539                  | -                | -                                 | -              | 37,539              | 44,418              |
| Restricted cash (Note 2)                             | -                       | 1,091,822        | 43,675                            | 233,703        | 1,369,200           | 1,077,114           |
| Investments (Note 3)                                 | 200,000                 | 589,122          | -                                 | -              | 789,122             | 777,362             |
| Accounts receivable                                  | 2,743                   | -                | -                                 | -              | 2,743               | 2,818               |
| Prepaid expenses                                     | 6,762                   | -                | -                                 | -              | 6,762               | 3,464               |
| Interfund receivable                                 | 7,864                   | -                | -                                 | 38,930         | 46,794              | 31,238              |
|  | <b>254,908</b>          | <b>1,680,944</b> | <b>43,675</b>                     | <b>272,633</b> | <b>2,252,160</b>    | <b>1,936,414</b>    |
| Loans receivable (Note 4)                            | -                       | 1,291,472        | 14,585                            | 8,029          | 1,314,086           | 1,699,428           |
| Capital assets (Note 5)                              | 18,160                  | -                | -                                 | -              | 18,160              | 16,920              |
|  | <b>273,068</b>          | <b>2,972,416</b> | <b>58,260</b>                     | <b>280,662</b> | <b>3,584,406</b>    | <b>3,652,762</b>    |
| <b>Current liabilities</b>                           |                         |                  |                                   |                |                     |                     |
| Accounts payable                                     | 20,256                  | -                | -                                 | -              | 20,256              | 15,111              |
| Deferred contributions and contract revenue (Note 6) | 25,725                  | -                | -                                 | -              | 25,725              | -                   |
| Interfund payable                                    | -                       | 44,669           | 2,125                             | -              | 46,794              | 31,238              |
|  | <b>45,981</b>           | <b>44,669</b>    | <b>2,125</b>                      | <b>-</b>       | <b>92,775</b>       | <b>46,349</b>       |
| Repayable grants (Note 7)                            | -                       | -                | 56,135                            | 280,662        | 336,797             | 335,756             |
|  | <b>45,981</b>           | <b>44,669</b>    | <b>58,260</b>                     | <b>280,662</b> | <b>429,572</b>      | <b>382,105</b>      |
| <b>Fund balances</b>                                 |                         |                  |                                   |                |                     |                     |
| Unrestricted   | 19,318                  | -                | -                                 | -              | 19,318              | 38,788              |
| Internally restricted fund (Note 8)                  | 189,609                 | 2,927,747        | -                                 | -              | 3,117,356           | 3,218,949           |
| Invested in capital assets                           | 18,160                  | -                | -                                 | -              | 18,160              | 12,920              |
|  | <b>227,087</b>          | <b>2,927,747</b> | <b>-</b>                          | <b>-</b>       | <b>3,154,834</b>    | <b>3,270,657</b>    |
|  | <b>273,068</b>          | <b>2,972,416</b> | <b>58,260</b>                     | <b>280,662</b> | <b>3,584,406</b>    | <b>3,652,762</b>    |

Approved by the Board:

  
 \_\_\_\_\_ Director  
 \_\_\_\_\_ Director

The accompanying notes form part of these financial statements.

# Community Futures Lesser Slave Lake Region

## Statement of Capital Asset Fund

For the year ended March 31, 2016

|  | Unrestricted  | Internally Restricted | Invested in Capital Assets | 2016 Total       | 2015 Total       |
|--|---------------|-----------------------|----------------------------|------------------|------------------|
|  | \$            | \$                    | \$                         | \$               | \$               |
| <b>Balance, beginning of year</b>            | <b>38,788</b> | <b>3,218,949</b>      | <b>12,920</b>              | <b>3,270,657</b> | <b>3,273,576</b> |
| Excess (deficiency) of revenue over expenses | (9,290)       | (100,552)             | (4,940)                    | (114,782)        | (1,893)          |
| Additions to capital assets                  | (10,180)      | -                     | 10,180                     | -                | -                |
| Inter-fund transfers                         | -             | (1,041)               | -                          | (1,041)          | (1,026)          |
| <b>Balance, end of year</b>                  | <b>19,318</b> | <b>3,117,356</b>      | <b>18,160</b>              | <b>3,154,834</b> | <b>3,270,657</b> |

The accompanying notes form part of these financial statements.

**Community Futures Lesser Slave Lake Region**  
**Statement of Operations and Change in Fund Balances**

For the year ended March 31, 2016

|  | Operating<br>Fund | Investment<br>Fund<br>(Schedule 1) | Total<br>2016    | Total<br>2015  |
|--|-------------------|------------------------------------|------------------|----------------|
|  | \$                | \$                                 | \$               | \$             |
| <b>Revenue</b>                               |                   |                                    |                  |                |
| Contributions                                | 307,586           | -                                  | 307,586          | 309,963        |
| Interest income                              | 2,442             | 128,614                            | 131,056          | 150,546        |
| Fees and other income                        | 17,699            | 611                                | 18,310           | 13,315         |
| Contract revenue deferred to subsequent year | (14,690)          | -                                  | (14,690)         | -              |
| WED contribution deferred to subsequent year | (11,035)          | -                                  | (11,035)         | -              |
|  | <b>302,002</b>    | <b>129,225</b>                     | <b>431,227</b>   | <b>473,824</b> |
| <b>Expenses</b>                              |                   |                                    |                  |                |
| Amortization                                 | 4,940             | -                                  | 4,940            | 4,674          |
| Bad debts                                    | -                 | 228,836                            | 228,836          | 185,456        |
| Insurance                                    | 2,269             | -                                  | 2,269            | 2,973          |
| Interest and bank charges                    | 214               | 941                                | 1,155            | 1,565          |
| Office                                       | 26,321            | -                                  | 26,321           | 19,112         |
| Professional fees                            | 21,333            | -                                  | 21,333           | 29,584         |
| Publications and advertising                 | 15,655            | -                                  | 15,655           | 9,507          |
| Rent   | 29,833            | -                                  | 29,833           | 29,833         |
| Repairs and maintenance                      | 2,391             | -                                  | 2,391            | 2,072          |
| Telephone and utilities                      | 12,107            | -                                  | 12,107           | 15,007         |
| Travel                                       |                   |                                    |                  |                |
| Board  | 1,409             | -                                  | 1,409            | 4,897          |
| Staff  | 5,296             | -                                  | 5,296            | 6,672          |
| Wages and employee benefits                  | 194,464           | -                                  | 194,464          | 164,365        |
|  | <b>316,232</b>    | <b>229,777</b>                     | <b>546,009</b>   | <b>475,717</b> |
| <b>Excess of revenue over expenses</b>       | <b>(14,230)</b>   | <b>(100,552)</b>                   | <b>(114,782)</b> | <b>(1,893)</b> |

The accompanying notes form part of these financial statements.

# Community Futures Lesser Slave Lake Region

## Statement of Cash Flows

For the year ended March 31, 2016

|   | 2016             | 2015             |
|---|------------------|------------------|
|   | \$               | \$               |
| <b>Operating Activities</b>                   |                  |                  |
| Cash received from grants                     | 307,586          | 309,963          |
| Cash received from interest and other income  | 149,441          | 165,814          |
| Cash paid to suppliers and employees          | (565,988)        | (475,925)        |
|   | (108,961)        | (148)            |
| <b>Financing Activities</b>                   |                  |                  |
| Increase (decrease) in deferred contributions | 25,725           | (25,830)         |
| Increase in repayable contributions           | 1,041            | 1,026            |
|   | 26,766           | (24,804)         |
| <b>Investing Activities</b>                   |                  |                  |
| Increase in investments                       | (11,760)         | (218,454)        |
| Additions in capital assets                   | (6,180)          | (4,000)          |
| Decrease in loans receivable                  | 385,342          | 410,447          |
|   | 367,402          | 187,993          |
| <b>Increase in Cash</b>                       | <b>285,207</b>   | <b>163,041</b>   |
| <b>Cash, beginning of year</b>                | <b>1,121,532</b> | <b>958,491</b>   |
| <b>Cash, end of year</b>                      | <b>1,406,739</b> | <b>1,121,532</b> |
| <b>Cash is comprised of:</b>                  |                  |                  |
| Cash  | 37,539           | 44,418           |
| Restricted cash                               | 1,369,200        | 1,077,114        |
|   | 1,406,739        | 1,121,532        |

The accompanying notes form part of these financial statements.

# Community Futures Lesser Slave Lake Region

## Notes to the Financial Statements

March 31, 2016

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### Purpose of the Organization

The Community Futures Lesser Slave Lake Region is a community based non-profit corporation which supports the region's plans for community economic development and the generation of additional private sector employment. The corporation is incorporated under the Alberta Companies Act. These financial statements present the combined assets, liabilities and operations of all programs sponsored by the Community Futures Lesser Slave Lake Region. The corporation is exempt from income taxes under the Income Tax Act.

### 1. Significant Accounting Policies

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

#### a) Amortization

It is the corporation's policy to provide for amortization of capital assets using the declining balance method at the following rates:

|                    |     |
|--------------------|-----|
| Office equipment   | 20% |
| Computer equipment | 30% |

#### b) Investments

Investments are recorded at fair market value.

#### c) Revenue Recognition

The corporation 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.

#### d) Fund Accounting

The operating fund accounts for the corporation's program delivery and administrative activities.

The investment fund has been established to have money available to provide loans to new businesses in the Lesser Slave Lake and surrounding areas.



# Community Futures Lesser Slave Lake Region

## Notes to the Financial Statements

March 31, 2016

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### 1. Significant Accounting Policies - continued

#### e) Financial Instruments

The corporation's financial instruments consist of cash, investments, accounts receivable, loans receivable and accounts payable. Unless otherwise noted, it is management's opinion that the corporation is not exposed to significant interest or foreign currency risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

#### Credit Risk

The corporation is exposed to credit risk on the accounts receivable and loans receivable from its customers. In order to reduce its credit risk, the company has adopted credit policies which include an analysis of the financial position of its customers and the regular review of their credit limits.

#### (f) 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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### 2. Restricted Cash

The cash held by the investment fund is restricted for the purpose of that fund, mainly the issuance of general, disabled and youth loans.

The portion of cash and investments held by the operating fund that is restricted is \$189,609 (2015 - \$189,609). This amount has been allocated to various projects and is included with internally restricted funds.

### 3. Investments

|                                   | 2016           | 2015           |
|-----------------------------------|----------------|----------------|
|                                   | \$             | \$             |
| Guaranteed Investment Certificate | 200,000        | 200,000        |
| C-Flip Investment Funds           | 589,122        | 577,362        |
|                                   | <u>789,122</u> | <u>777,362</u> |

The Guaranteed Investment Certificate matures March 23, 2017 and earns interest at 0.90%.

The C-Flip (Community Futures Lending and Investment Pool) Investment are funds administered by The Recordkeeper Inc. and managed by Royal Trust. Of the invested funds 50% are available to be lent back to Community Development Corporations with the remaining funds invested in money market funds.

The C-Flip Investment was started in June, 2000 and is invested largely in bonds which, during the past year, averaged a rate of return of about 4%.

# Community Futures Lesser Slave Lake Region

## Notes to the Financial Statements

March 31, 2016

### 4. Loans Receivable

The Community Futures Lesser Slave Lake Region has a portfolio of 46 (2015 - 51) loans outstanding with no loan balance in excess of \$200,000. An allowance for doubtful accounts of \$417,299 (2015 - \$401,302) has been provided on specific accounts.

Outstanding loans to entrepreneurs are interest bearing at fixed rates varying from 2.0 - 8.5% above prime 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 land and building.

### 5. Capital Assets

|                         | 2016           |                                   |                         | 2015                    |
|-------------------------|----------------|-----------------------------------|-------------------------|-------------------------|
|                         | Cost<br>\$     | Accumulated<br>Amortization<br>\$ | Net Book<br>Value<br>\$ | Net Book<br>Value<br>\$ |
| Computer equipment      | 36,414         | 27,747                            | 8,667                   | 7,282                   |
| Furniture and equipment | 100,334        | 90,841                            | 9,493                   | 9,638                   |
|                         | <b>136,748</b> | <b>118,588</b>                    | <b>18,160</b>           | <b>16,920</b>           |

### 6. Deferred Contributions and Contract Revenue

|   | 2016<br>\$    | 2015<br>\$ |
|---|---------------|------------|
| Western Economic Diversification Canada | 11,035        | -          |
| Municipal District of Opportunity       | 14,690        | -          |
|   | <b>25,725</b> | <b>-</b>   |

### 7. Conditionally Repayable Loan Funds

|                                       | Disabled<br>\$ | Youth<br>\$    | Total<br>2016<br>\$ | Total<br>2015<br>\$ |
|---------------------------------------|----------------|----------------|---------------------|---------------------|
| Initial grant                         | 200,000        | 200,000        | 400,000             | 400,000             |
| 1/2 interest earned to March 31, 2001 | 17,948         | 1,850          | 19,798              | 19,798              |
| Surplus to March 31, 2016             | 31,410         | 90,877         | 122,287             | 121,246             |
| Loan write-offs                       | (193,223)      | (20,245)       | (213,468)           | (213,468)           |
| Approved transfers to operating       | -              | 8,180          | 8,180               | 8,180               |
|                                       | <b>56,135</b>  | <b>280,662</b> | <b>336,797</b>      | <b>335,756</b>      |

# Community Futures Lesser Slave Lake Region

## Notes to the Financial Statements

March 31, 2016

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### 7. Conditionally Repayable Loan Funds - continued

Under the terms and conditions of the contribution agreement with Western Economic Diversification, the Conditional 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 the 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 the completion date.

### 8. Internally Restricted Fund Balances

These funds have been restricted by the Community Futures Lesser Slave Lake Region's Board of Directors and can only be used for purposes approved by the Board of Directors.

|                          | 2016             | 2015             |
|--------------------------|------------------|------------------|
|                          | \$               | \$               |
| Projects Fund            | 140,434          | 140,434          |
| Capital Replacement Fund | 49,175           | 49,175           |
| General Investment Fund  | 2,927,747        | 3,029,340        |
|                          | <b>3,117,356</b> | <b>3,218,949</b> |

### 9. Economic Dependence

The Corporation receives almost all of its operating revenues from the federal government and is economically dependent upon it.

# Community Futures Lesser Slave Lake Region

## Schedule of Investment Fund Programs - Schedule 1

March 31, 2016

|   | General<br>Investment | Disabled     | Youth          | Total<br>2016    | Total<br>2015   |
|---|-----------------------|--------------|----------------|------------------|-----------------|
|   | \$                    | \$           | \$             | \$               | \$              |
| <b>Revenue</b>  |                       |              |                |                  |                 |
| Loan interest   | 108,840               | 1,153        | 1,497          | 111,490          | 128,610         |
| Investment interest   | 17,124                | -            | -              | 17,124           | 20,810          |
| Other revenue   | 611                   | -            | -              | 611              | -               |
|   | <b>126,575</b>        | <b>1,153</b> | <b>1,497</b>   | <b>129,225</b>   | <b>149,420</b>  |
| <b>Expenses</b>   |                       |              |                |                  |                 |
| Bad debts (recovery)  | 219,192               | -            | 9,644          | 228,836          | 185,456         |
| Interest and bank charges                                   | 646                   | 112          | 183            | 941              | 1,057           |
|   | <b>219,838</b>        | <b>112</b>   | <b>9,827</b>   | <b>229,777</b>   | <b>186,513</b>  |
| <b>Excess of revenue over expenses<br/>before transfers</b> | <b>(93,263)</b>       | <b>1,041</b> | <b>(8,330)</b> | <b>(100,552)</b> | <b>(37,093)</b> |
| Transfers surplus to repayable grants                       | -                     | (1,041)      | -              | (1,041)          | (1,026)         |
| <b>Excess of revenue over expenses</b>                      | <b>(93,263)</b>       | <b>-</b>     | <b>(8,330)</b> | <b>(101,593)</b> | <b>(38,119)</b> |

The accompanying notes form part of these financial statements.