

COMMUNITY FUTURES LLOYDMINSTER AND REGION DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2016

**COMMUNITY FUTURES LLOYDMINSTER AND REGION DEVELOPMENT
CORPORATION**

**FINANCIAL STATEMENTS
MARCH 31, 2016**

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS COMMUNITY FUTURES LLOYDMINSTER AND REGION DEVELOPMENT CORPORATION LLOYDMINSTER, ALBERTA

We have audited the accompanying financial statements of Community Futures Lloydminster and Region Development Corporation, which comprise the statement of financial position as at March 31, 2016 and the statements of operations and changes 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 generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance whether the financial statements are free of 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, these financial statements present fairly, in all material respects, the statement of financial position of Community Futures Lloydminster and Region Development Corporation as at March 31, 2016 and their results of operations and changes in fund balances and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Wilkinson Livingston Stevens LLP

Lloydminster, Alberta
July 8, 2016

Chartered Accountants

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COMMUNITY FUTURES LLOYDMINSTER AND REGION DEVELOPMENT CORPORATION

**STATEMENT OF FINANCIAL POSITION
MARCH 31, 2016**

	2016				2015
	General	Investment (Page 6)	Self Employment	Total	Total
ASSETS					
Current Assets					
Cash	191,028	659,210	171,719	1,021,957	1,266,255
Accounts receivable	14,395	1,257	-	15,652	3,525
Prepaid expenses	<u>8,482</u>	<u>-</u>	<u>-</u>	<u>8,482</u>	<u>10,790</u>
	<u>213,905</u>	<u>660,467</u>	<u>171,719</u>	<u>1,046,091</u>	<u>1,280,570</u>
Property, Plant & Equip (Note 5)	<u>8,414</u>	<u>-</u>	<u>-</u>	<u>8,414</u>	<u>6,922</u>
Other Assets					
Loans receivable (Note 6)	-	966,174	-	966,174	773,826
Loans receivable - SBLA	258,231	-	-	258,231	266,722
Other investments (Note 4)	<u>3,112</u>	<u>394,047</u>	<u>160,542</u>	<u>557,701</u>	<u>396,253</u>
	<u>261,343</u>	<u>1,360,221</u>	<u>160,542</u>	<u>1,782,106</u>	<u>1,436,801</u>
	<u>\$ 483,662</u>	<u>\$ 2,020,688</u>	<u>\$ 332,261</u>	<u>\$ 2,836,611</u>	<u>\$ 2,724,293</u>
LIABILITIES AND FUND BALANCES					
Current Liabilities					
Accounts payable	46,508	-	-	46,508	22,996
WED loans repayable (Note 8)	-	900,000	-	900,000	900,000
Loans repayable - SBLA	263,590	-	-	263,590	300,979
Interfund balance	78,930	103	(79,033)	-	-
Deferred project revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,666</u>
	<u>389,028</u>	<u>900,103</u>	<u>(79,033)</u>	<u>1,210,098</u>	<u>1,226,641</u>
Fund Balances (Page 4)	<u>94,634</u>	<u>1,120,585</u>	<u>411,294</u>	<u>1,626,513</u>	<u>1,497,652</u>
	<u>\$ 483,662</u>	<u>\$ 2,020,688</u>	<u>\$ 332,261</u>	<u>\$ 2,836,611</u>	<u>\$ 2,724,293</u>

Approved On Behalf Of The Board

Director

J. Bell

Director

Chris Aubrey

Commitments (Note 9)

COMMUNITY FUTURES LLOYDMINSTER AND REGION DEVELOPMENT CORPORATION

**STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES
YEAR ENDED MARCH 31, 2016**

	2016				2015
	General	Investment (Page 7)	Self Employment	Total	Total
Revenue					
Contract revenue	-	-	8,558	8,558	9,208
Fees & expense recovery	-	2,004	-	2,004	713
Interest Income	23,974	77,271	3,648	104,893	88,938
Gain (loss) on sale of assets	(841)	-	-	(841)	(84)
Grants	-	-	-	-	15,758
Technical and office services	18,615	-	-	18,615	13,206
WED Contributions	<u>294,963</u>	<u>-</u>	<u>-</u>	<u>294,963</u>	<u>294,963</u>
	<u>336,711</u>	<u>79,275</u>	<u>12,206</u>	<u>428,192</u>	<u>422,702</u>
Expenses					
Business start-up costs	-	-	1,000	1,000	2,035
Contract office services	67,595	-	-	67,595	14,229
Depreciation	2,202	-	-	2,202	4,051
Impaired loan charge (recovery) (Note 6)	-	15,673	-	15,673	9,745
Insurance	3,734	-	-	3,734	2,327
Interest and bank charges	760	614	-	1,374	2,563
Marketing and promotion	14,142	-	-	14,142	12,466
Memberships and fees	3,459	-	-	3,459	2,797
Postage and office supplies	5,106	-	-	5,106	3,530
Professional fees	15,532	-	-	15,532	19,216
Projects	-	-	-	-	13,030
Rent	28,670	-	-	28,670	29,212
Repairs - equipment	-	-	-	-	2,866
Resource material	-	-	-	-	608
Salaries and benefits	120,775	-	-	120,775	191,641
Telephone	6,846	-	-	6,846	4,750
Travel and meetings	<u>13,223</u>	<u>-</u>	<u>-</u>	<u>13,223</u>	<u>8,179</u>
	<u>282,044</u>	<u>16,287</u>	<u>1,000</u>	<u>299,331</u>	<u>323,245</u>
Excess (deficiency) of Revenues Over Expenses	54,667	62,988	11,206	128,861	99,457
Fund Balances, beginning of year	<u>39,967</u>	<u>1,057,597</u>	<u>400,088</u>	<u>1,497,652</u>	<u>1,398,195</u>
Fund Balances, end of year	<u>\$ 94,634</u>	<u>\$ 1,120,585</u>	<u>\$ 411,294</u>	<u>\$ 1,626,513</u>	<u>\$ 1,497,652</u>

COMMUNITY FUTURES LLOYDMINSTER AND REGION DEVELOPMENT CORPORATION

**STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2016**

	2016	2015
Operating Activities		
Cash received from services	10,430	13,263
Cash received from grants	300,855	300,510
Investment income received	26,340	27,279
Loans receivable income received	64,055	62,142
Cash paid to suppliers and organizations	(135,293)	(133,513)
Cash paid for salaries and benefits	<u>(122,282)</u>	<u>(198,885)</u>
	<u>144,105</u>	<u>70,796</u>
Investing Activities		
Net (increase) decrease in loans receivable	(185,031)	(212,677)
Net increase (decrease) in loan repayable - SBLA	(37,389)	167,143
Net (increase) decrease in investments	(161,448)	(12,573)
Purchase of property, plant and equipment	<u>(4,535)</u>	<u>-</u>
	<u>(388,403)</u>	<u>(58,107)</u>
Net Increase (Decrease) In Cash	(244,298)	12,689
Cash at beginning	<u>1,266,255</u>	<u>1,253,566</u>
Cash At End	<u>\$ 1,021,957</u>	<u>\$ 1,266,255</u>

COMMUNITY FUTURES LLOYDMINSTER AND REGION DEVELOPMENT CORPORATION

STATEMENT OF FINANCIAL POSITION - INVESTMENT FUND
MARCH 31, 2016

	2016			2015	
	Repayable	Non Repayable	Disabled	Total	Total
ASSETS					
Current Assets					
Cash	265,813	342,536	50,861	659,210	947,685
Accounts receivable	<u>1,157</u>	<u>100</u>	<u>-</u>	<u>1,257</u>	<u>53</u>
	<u>266,970</u>	<u>342,636</u>	<u>50,861</u>	<u>660,467</u>	<u>947,738</u>
Other Assets					
Loans receivable (Note 6)	23,932	899,636	42,606	966,174	773,826
Other investments	<u>268,021</u>	<u>126,026</u>	<u>-</u>	<u>394,047</u>	<u>236,136</u>
	<u>291,953</u>	<u>1,025,662</u>	<u>42,606</u>	<u>1,360,221</u>	<u>1,009,962</u>
	<u>\$ 558,923</u>	<u>\$ 1,368,298</u>	<u>\$ 93,467</u>	<u>\$ 2,020,688</u>	<u>\$ 1,957,700</u>
LIABILITIES AND FUND BALANCES					
Current Liabilities					
WED loans repayable (Note 8)	700,000	-	200,000	900,000	900,000
Interfund balance	<u>21,346</u>	<u>(23,520)</u>	<u>2,277</u>	<u>103</u>	<u>103</u>
	<u>721,346</u>	<u>(23,520)</u>	<u>202,277</u>	<u>900,103</u>	<u>900,103</u>
Fund Balances (Page 7)	<u>(162,423)</u>	<u>1,391,818</u>	<u>(108,810)</u>	<u>1,120,585</u>	<u>1,057,597</u>
	<u>\$ 558,923</u>	<u>\$ 1,368,298</u>	<u>\$ 93,467</u>	<u>\$ 2,020,688</u>	<u>\$ 1,957,700</u>

COMMUNITY FUTURES LLOYDMINSTER AND REGION DEVELOPMENT CORPORATION
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES - INVESTMENT FUND
YEAR ENDED MARCH 31, 2016

	2016			2015	
	Repayable	Non Repayable	Disabled	Total	Total
Revenue					
· Fees & expense recovery	100	1,904	-	2,004	713
Interest income	<u>3,202</u>	<u>73,945</u>	<u>124</u>	<u>77,271</u>	<u>64,827</u>
	<u>3,302</u>	<u>75,849</u>	<u>124</u>	<u>79,275</u>	<u>65,540</u>
Expenses (Recovery)					
Impaired loan charge (recovery) (Note 6)	(1,807)	12,823	4,657	15,673	9,745
Interest and bank charges	-	614	-	614	450
Postage and office	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>123</u>
	<u>(1,807)</u>	<u>13,437</u>	<u>4,657</u>	<u>16,287</u>	<u>10,318</u>
Excess (deficiency) of Revenues over Expenses	5,109	62,412	(4,533)	62,988	55,222
Fund Balances, beginning of year	<u>(167,532)</u>	<u>1,329,406</u>	<u>(104,277)</u>	<u>1,057,597</u>	<u>1,002,375</u>
Fund Balances, end of year	<u>\$ (162,423)</u>	<u>\$ 1,391,818</u>	<u>\$ (108,810)</u>	<u>\$ 1,120,585</u>	<u>\$ 1,057,597</u>

COMMUNITY FUTURES LLOYDMINSTER AND REGION DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2016

1. Purpose of the Organization

Community Futures Lloydminster and Region Development Corporation operates programs aimed at strengthening the regional economy and reducing unemployment by building on the region's economic strengths and diversifying local employment opportunities. The Corporation is incorporated in the province of Saskatchewan as a not-for-profit organization and is extra-provincially registered under the Business Corporations Act in the province of Alberta. The Corporation is not subject to income tax.

2. Significant Accounting Policies

These financial statements have been prepared for management in accordance with Canadian accounting standards for not-for-profit organizations. The precise determination of many assets and liabilities is dependent on future events. As a result, the preparation of financial statements for a period involves the use of estimates and approximations which have been made using careful judgments. Actual results could differ from those estimates and approximations. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below:

Fund Accounting

Community Futures Lloydminster and Region Development Corporation follows the restricted method of accounting for contributions. Transfers between the funds are made when it is considered appropriate and authorized by the Board. These interfund transfers are recorded in the Statement of Operations and Changes in Fund Balances.

The General Fund accounts for the Corporation's operating costs and general revenues.

The Loan 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 Loan Investment Fund for the Disabled are limited to businesses owned and operated by disabled entrepreneurs. The Corporation is restricted in the types of loans that can be made according to its agreement with the federal government.

The Self Employment Program is administered by the Community Futures Lloydminster and Region Development Corporation and Saskatchewan Advanced Education Employment and Immigration.

Interfund Balances

At certain points in time, the Corporation may have amounts owed between certain funds. These interfund balances are non-interest bearing and have no fixed terms of repayment.

Loans Receivable and Allowance for Impaired Loans

Loans receivable are recorded at original principal plus accrued interest, less repayment and charge for loan impairment. A loan is classified as impaired when there is reasonable doubt as to the collection of some portion of principal or interest. A loan, where payment is contractually past due 90 days, is classified as impaired unless there is no reasonable doubt as to the collectability of all interest and principal.

The Corporation records specific allowances based on management's regular review of individual loans to reduce their book values to estimated realizable amounts. The net amount represents management's best estimate of the future value of the payments it will receive on each loan. When management cannot determine the loan's future cash flow, it bases its estimate on the estimated market value of the loan's security or value as determined from other pertinent information. The Corporation records changes to the estimated realizable value of the loan as a charge or credit for loan impairment.

COMMUNITY FUTURES LLOYDMINSTER AND REGION DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2016

2. Significant Accounting Policies (con't)

Property, Plant and Equipment

Purchased property, plant and equipment are recorded at cost. Depreciation is provided for using the declining balance method over the estimated useful life of the assets, with the exception of leasehold improvements depreciating straight line over the term of the lease. Annual rates of depreciation are 20-50% on office equipment and furniture and 20% on leaseholds.

Financial Instruments

The Corporation initially measures its financial assets and financial liabilities at fair value. The Corporation subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statement of operations.

Financial assets measured at amortized cost include cash and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Revenue Recognition

Restricted contributions related to general operations are recognized as revenue of the General Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

Unrestricted contributions are recognized as revenue of the General Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Interest income on the Investment Fund is recognized as revenue when received.

Investment income earned on general and restricted funds is recognized as revenue of the appropriate fund when earned.

3. Financial Instruments

Interest rate risk

Interest rate risk is the risk to the Corporation's earnings that arise from fluctuations in interest rates and the degree of volatility of these rates. See Note 6.

Credit risk

The Corporation is exposed to credit risk on loans to its clients. In order to reduce its credit risk, the Corporation has adopted credit and lending policies which include the analysis of the financial position of its clients. Credit risk is increased due to the nature of the Corporation's operations as a lender to high risk clients and to clients who cannot obtain financing from conventional lending institutions.

Liquidity risk

Liquidity risk is the risk of being unable to meet cash requirements or fund obligations as they become due. It stems from the possibility of a delay in realizing the fair value of financial instruments. The Corporation manages its liquidity risk by constantly monitoring forecasted and actual cash flows and financial liability maturities, and by holding assets that can be readily converted into cash.

COMMUNITY FUTURES LLOYDMINSTER AND REGION DEVELOPMENT CORPORATION

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016**

4. Other Investments

	2016	2015
Credit Union Equity	13,973	13,284
CFLIP Investments (Book value \$544,145 (2015 - \$380,846))	<u>543,728</u>	<u>382,969</u>
	<u>\$ 557,701</u>	<u>\$ 396,253</u>

5. Property, Plant and Equipment

	2016			2015
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Office furniture	6,918	6,350	568	754
Office equipment	48,541	44,191	4,350	5,768
Leaseholds	<u>14,277</u>	<u>10,781</u>	<u>3,496</u>	<u>400</u>
	<u>\$ 69,736</u>	<u>\$ 61,322</u>	<u>\$ 8,414</u>	<u>\$ 6,922</u>
Depreciation charged to operations			<u>\$ 2,202</u>	<u>\$ 4,051</u>

6. Loans Receivable

	2016				2015
	Repayable	Non Repayable	Disabled	Total	Total
Loans receivable	44,657	968,687	47,263	1,060,607	924,963
Accrued interest	1,448	18,545	-	19,993	8,946
Allowance for impaired loans	<u>(22,173)</u>	<u>(87,596)</u>	<u>(4,657)</u>	<u>(114,426)</u>	<u>(160,083)</u>
	<u>\$ 23,932</u>	<u>\$ 899,636</u>	<u>\$ 42,606</u>	<u>\$ 966,174</u>	<u>\$ 773,826</u>

Allowance for Impaired Loans

Balance at beginning of year	160,083	168,565
Charge for (recovery of) loan impairment	15,673	9,745
Net amounts written off	<u>(61,330)</u>	<u>(18,227)</u>
Balance at end of year	<u>\$ 114,426</u>	<u>\$ 160,083</u>

7. Economic Dependence

The Corporation is primarily funded by Western Economic Diversification under the community futures program and relies on this funding for its continued operation. This agreement has been extended to March 31, 2016.

8. WED Loans Repayable

The loans payable to Western Economic Diversification have no set terms of repayment and there is no provision for interest.

COMMUNITY FUTURES LLOYDMINSTER AND REGION DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016

9. Commitments

The Corporation has entered into an agreement to lease property to December 31, 2017. Future minimum payments under this operating lease follow:

2017	\$ <u>25,777</u>
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10. Comparative Amounts

Certain 2015 comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year. The reclassifications resulted in no effect on reported net income.