

COMMUNITY FUTURES LLOYDMINSTER AND REGION
DEVELOPMENT CORPORATION
FINANCIAL STATEMENTS
FOR THE YEAR ENDING MARCH 31, 2018

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**AUDITOR'S REPORT
ON COMPLIANCE WITH AGREEMENT**

To Western Economic Diversification

We have audited Community Futures Lloydminster and Region Development Corporation's compliance as at March 31, 2018 with the criteria established in the Contribution Agreement between Western Economic Diversification and Community Futures Lloydminster and Region Development Corporation dated March 31, 2006. Compliance with the criteria established by the provisions of the agreement is the responsibility of the Board of Directors of Community Futures Lloydminster and Region Development Corporation. Our responsibility is to express an opinion on this compliance based on our audit.

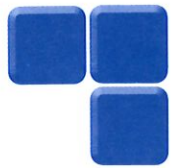
We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether Community Futures Lloydminster and Region Development Corporation complied with the criteria established by the provisions of the agreement referred to above. Such an audit includes examining, on a test basis, evidence supporting compliance, evaluating the overall compliance with the agreement, and where applicable, assessing the accounting principles used and significant estimates made by management.

In our opinion, Community Futures Lloydminster and Region Development Corporation is in compliance, in all material respects, with the criteria established by the Contribution Agreement.

ST. PAUL, ALBERTA
June 20, 2018

JMD Group LLP

CHARTERED ACCOUNTANTS



INDEPENDENT AUDITOR'S REPORT

To the Members of Community Futures Lloydminster
and Region Development Corporation

Report on the Financial Statements

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, 2018, and the statements of operations, changes in fund balances, and cash flows for the year then ended, a summary of significant accounting policies and other explanatory information, and a schedule of operating expenses.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation 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 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 Lloydminster and Region Development Corporation as at March 31, 2018, and the results of its operations, changes in fund balances and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

ST. PAUL, ALBERTA
June 20, 2018

JMD Group LLP

CHARTERED ACCOUNTANTS

COMMUNITY FUTURES LLOYDMINSTER AND REGION DEVELOPMENT CORPORATION
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2018

	General Fund	Loan Investment Funds			2018	2017
		Non-Repayable	Repayable	Disabled		
		ASSETS				
Current assets		\$ 502,540	\$ 135,715	\$ 22,596	\$ 953,691	\$ 1,061,076
Cash in bank	\$ 292,840	--	--	--	2,817	7,615
GST receivable	2,817	--	--	--	326	25,791
Accounts receivable	326	--	--	--	5,512	603
Due from investment fund	5,512	--	--	--	7,473	6,547
Prepaid expenses	7,473	--	--	--	23,403	262,227
Current portion of investment loans	--	185,234	30,584	45,999	1,209,040	1,363,859
	308,968	687,774	166,299	--	603,322	584,501
Long term investments (note 3)	177,028	136,272	290,022	--	60,328	78,739
Capital assets (note 4)	60,328	--	--	--	112,088	199,445
Loans receivable - SBLA	112,088	--	--	--	437,987	645,268
Investment loans receivable (notes 5 - 7)	--	224,041	109,762	104,184	\$ 2,422,765	\$ 2,871,812
	\$ 658,412	\$ 1,048,087	\$ 566,083	\$ 150,183		

LIABILITIES AND FUND BALANCES

Current liabilities						
Payables and accrued liabilities	\$ 39,682	\$ --	\$ --	\$ --	\$ 39,682	\$ 87,247
Government remittances	3,035	--	--	--	3,035	1,542
Due to general fund	--	(129,674)	23,380	111,806	5,512	603
Deferred revenue	4,000	--	--	--	4,000	28,580
	46,717	(129,674)	23,380	111,806	52,229	117,972
	121,183	--	--	--	121,183	189,056
Loans repayable - SBLA	167,900	(129,674)	23,380	111,806	173,412	307,028
Fund balances						
Invested in capital assets	60,328	--	--	--	60,328	78,739
Externally restricted (note 8)	--	1,177,761	542,703	38,377	1,758,841	2,013,063
Unrestricted	430,184	--	--	--	430,184	472,982
	490,512	1,177,761	542,703	38,377	2,249,353	2,564,784
	\$ 658,412	\$ 1,048,087	\$ 566,083	\$ 150,183	\$ 2,422,765	\$ 2,871,812

Approved on Behalf of The Board: J. Lee Chairman Shirley Bridges Treasurer

COMMUNITY FUTURES LLOYDMINSTER AND REGION DEVELOPMENT CORPORATION
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2018

	<u>Operating</u>	<u>Financing and Investing</u>			<u>2018</u>	<u>2017</u>
	<u>General Fund</u>	<u>Non-Repayable</u>	<u>Loan Investment Funds</u>	<u>Disabled</u>		
Revenue						
Federal contracts	\$ 294,963	\$ --	\$ --	--	\$ 294,963	\$ 294,963
Loan interest	5,356	44,886	1,083	573	51,898	92,924
Other revenue	7,798	--	--	--	7,798	8,347
Bank interest	2,521	3,786	1,200	211	7,718	1,383
CFLIP investment income	4,674	3,462	7,909	--	16,045	14,761
CFLIP unrealized gain	662	490	1,120	--	2,272	11,554
Self-employment contract	<u>2,920</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>2,920</u>	<u>10,013</u>
	<u>318,894</u>	<u>52,624</u>	<u>11,312</u>	<u>784</u>	<u>383,614</u>	<u>433,945</u>
Expenses						
Operating expenses (schedule)	366,778	--	--	--	366,778	293,699
Provision for investment losses	11,763	289,057	--	29,885	330,705	100,605
Loss on sale of assets	<u>1,562</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,562</u>	<u>1,368</u>
	<u>380,103</u>	<u>289,057</u>	<u>--</u>	<u>29,885</u>	<u>699,045</u>	<u>395,672</u>
Excess (deficiency) of revenue over expenses	<u>\$ (61,209)</u>	<u>\$ (236,433)</u>	<u>\$ 11,312</u>	<u>\$ (29,101)</u>	<u>\$ (315,431)</u>	<u>\$ 38,273</u>

COMMUNITY FUTURES LLOYDMINSTER AND REGION DEVELOPMENT CORPORATION
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2018

	<u>Operating</u>	<u>Financing and Investing</u>			<u>2018</u>	<u>2017</u>
	<u>General Fund</u>	<u>Non-Repayable</u>	<u>Loan Investment Funds</u>	<u>Repayable</u>	<u>Disabled</u>	
Equity in capital assets, beginning of year	\$ 78,739	\$ --	\$ --	\$ --	\$ 78,739	\$ 8,414
Purchase of capital assets	--	--	--	--	--	77,840
Amortization	(16,849)	--	--	--	(16,849)	(6,147)
Loss on disposal of capital assets	(1,562)	--	--	--	(1,562)	(1,368)
Equity in capital assets, end of year	<u>60,328</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>60,328</u>	<u>78,739</u>
Externally restricted funds, beginning of year	--	1,414,194	531,391	67,478	2,013,063	2,020,585
Excess (deficiency) of revenue over expenses	--	(236,433)	11,312	(29,101)	(254,222)	(7,522)
Externally restricted funds, end of year	<u>--</u>	<u>1,177,761</u>	<u>542,703</u>	<u>38,377</u>	<u>1,758,841</u>	<u>2,013,063</u>
Unrestricted funds, beginning of year	472,982	--	--	--	472,982	497,512
Excess (deficiency) of revenue over expenses	(61,209)	--	--	--	(61,209)	45,795
Purchase of capital assets	--	--	--	--	--	(77,840)
Amortization	16,849	--	--	--	16,849	6,147
Loss on disposal of capital assets	1,562	--	--	--	1,562	1,368
Unrestricted funds, end of year	<u>430,184</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>430,184</u>	<u>472,982</u>
	<u>\$ 490,512</u>	<u>\$ 1,177,761</u>	<u>\$ 542,703</u>	<u>\$ 38,377</u>	<u>\$ 2,249,353</u>	<u>\$ 2,564,784</u>

COMMUNITY FUTURES LLOYDMINSTER AND REGION DEVELOPMENT CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2018

	<u>Operating</u>	<u>Financing and Investing</u>			<u>2018</u>	<u>2017</u>
	<u>General Fund</u>	<u>Non-Repayable</u>	<u>Loan Investment Funds</u>	<u>Disabled</u>		
			<u>Repayable</u>			
Sources of cash						
Federal contracts	\$ 266,383	\$ --	\$ --	--	\$ 266,383	\$ 323,543
Investment income	7,318	44,135	2,432	212	54,097	82,976
Other	7,598	--	--	--	7,598	8,347
Self-employment contract	6,920	--	--	--	6,920	10,013
Investment loan repayments	--	373,427	17,705	2,468	393,600	571,744
SBLA loans collected	<u>49,919</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>49,919</u>	<u>49,179</u>
	<u>338,138</u>	<u>417,562</u>	<u>20,137</u>	<u>2,680</u>	<u>778,517</u>	<u>1,045,802</u>
Uses of cash						
Salaries and benefits	136,688	--	--	--	136,688	96,829
Materials and services	234,885	--	--	--	234,885	164,261
Purchase of capital assets	--	--	--	--	--	77,840
Investment loan advances	--	185,000	157,700	130,000	472,700	593,219
Repayment of SBLA loans	<u>41,629</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>41,629</u>	<u>74,534</u>
	<u>413,202</u>	<u>185,000</u>	<u>157,700</u>	<u>130,000</u>	<u>885,902</u>	<u>1,006,683</u>
	(75,064)	232,562	(137,563)	(127,320)	(107,385)	39,119
Net increase (decrease) in cash						
Cash, beginning of year	367,904	382,138	273,278	37,756	1,061,076	1,021,957
Interfund transfer (note 12)	--	(112,160)	--	112,160	--	--
Cash, end of year	<u>\$ 292,840</u>	<u>\$ 502,540</u>	<u>\$ 135,715</u>	<u>\$ 22,596</u>	<u>\$ 953,691</u>	<u>\$ 1,061,076</u>

COMMUNITY FUTURES LLOYDMINSTER AND REGION DEVELOPMENT
CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

Purpose of the Organization

Community Futures Lloydminster and Region Development Corporation 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.

1. Significant Accounting Policies

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

a) Fund accounting

Community Futures Lloydminster and Region Development Corporation follows the restricted method of accounting for contributions and uses the following funds:

The General Fund accounts for the organization's operating costs and general revenues. This fund reports unrestricted resources and restricted operating grants.

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 federal government.

b) Financial Instruments

The organizations financial instruments consist of cash, receivables, payables and accrued liabilities, and deferred revenue. All financial instruments are initially recognized at fair value and subsequently measured at amortized cost. Transaction costs and financial fees associated with financial instruments carried at amortized cost are recorded as adjustments to the initial fair value recognized and amortized over the life of the financial instrument.

c) Cash in Bank

Cash in bank is defined as cash in chequing accounts adjusted for outstanding cheques and deposits.

d) Long Term Investments

Investments for which there are quoted prices in an active market are carried at fair value. Unrealized gains or losses are reported in revenue. Investments for which there is not an active market are carried at amortized cost except when it is established that their value is impaired.

COMMUNITY FUTURES LLOYDMINSTER AND REGION DEVELOPMENT
CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

1. Significant Accounting Policies (continued)

e) Capital Assets

Purchased capital assets are recorded at cost. Amortization is provided for over the estimated useful life of the assets using the following rates and methods:

Leasehold improvements	20% straight line
Office furniture	20% declining balance
Office equipment	30% declining balance
Computer software	50% declining balance

Amortization is recorded in the general fund.

f) Revenue Recognition

Community Futures Lloydminster and Region Development Corporation follows the deferral method of accounting for revenue. 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.

g) Measurement Uncertainty

The preparation of financial statements in accordance 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Such estimates include the amortization of capital assets and the provision for investment losses. These estimates are reviewed periodically and as adjustments become necessary, they are reported as earnings in the period in which they become known.

2. Economic Dependence

The organization received 92.5% (2017 – 86.5%) of its operating revenue from the federal government and is economically dependent on these revenues.

3. Long Term Investments

Long-term investments consist of Credit Union Equity of \$14,961 (2017 – \$14,458) and C-Flip (Community Futures Lending and Investment Pool) Investments of \$588,361 (2017 - \$570,043). The C-Flip Investments 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.

COMMUNITY FUTURES LLOYDMINSTER AND REGION DEVELOPMENT
CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

4. Capital Assets

	2018			2017
	Cost	Accumulated Amortization	NBV	NBV
Leasehold improvements	\$ 70,271	\$ 17,568	\$ 52,703	\$ 66,758
Office furniture	9,153	5,975	3,178	3,974
Office equipment	34,712	30,431	4,281	7,675
Computer software	<u>8,230</u>	<u>8,064</u>	<u>166</u>	<u>332</u>
	<u>\$ 122,366</u>	<u>\$ 62,038</u>	<u>\$ 60,328</u>	<u>\$ 78,739</u>

5. Impaired Loans

Impaired loans and the related allowance for credit losses are as follows:

	Gross Amount	General Allowance	Specific Allowance	Carrying Value	
				2018	2017
Loans to small business	\$ <u>278,656</u>	\$ <u>---</u>	\$ <u>248,711</u>	\$ <u>29,945</u>	\$ <u>50,096</u>

6. Allowance for Credit Losses

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

	2017 Ending Balance	Write offs (net of Recoveries)	Provision for Credit Losses	2018 Ending Balance
Loan Investment Fund - Non-repayable	\$ 142,460	\$ 193,136	\$ 289,057	\$ 238,381
Loan Investment Fund - Repayable	43,870	33,540	--	10,330
Loan Investment Fund - Disability	<u>28,700</u>	<u>58,585</u>	<u>29,885</u>	<u>---</u>
	<u>\$ 215,030</u>	<u>\$ 285,261</u>	<u>\$ 318,942</u>	<u>\$ 248,711</u>

Actual write-offs, net of recoveries, are 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.

COMMUNITY FUTURES LLOYDMINSTER AND REGION DEVELOPMENT
CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

7. Investment Loans Receivable

Outstanding loans to entrepreneurs are interest bearing at fixed rates varying from 5% to 8.25% with monthly blended principal and interest repayments amortized for terms between thirty six months and sixty 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 buildings.

At yearend, the corporation had approved additional loans totaling \$0 pending certain conditions.

8. Externally Restricted Funds

Major categories of externally imposed restrictions on net assets are as follows:

	<u>2018</u>	<u>2017</u>
Non-Repayable Investment	\$ 1,177,761	\$ 1,414,194
Repayable Investment	542,703	531,391
Disabled Investment	<u>38,377</u>	<u>67,478</u>
	<u>\$ 1,758,841</u>	<u>\$ 2,013,063</u>

The department of Western Economic Diversification amended the terms and conditions of its contribution agreement with the Corporation. Under the revised terms and conditions the Conditionally Repayable Loan investment funding of \$900,000 is 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 12; or
- v) An event of default occurs, as described in Section 7 of the Agreement; or
- vi) The Minister does not approve terms and conditions to extend the project beyond March 31, 2021.

COMMUNITY FUTURES LLOYDMINSTER AND REGION DEVELOPMENT
CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

9. Commitments

The organization had signed a five year lease for office space to December 31, 2021 and has leased office equipment with the following annual minimum lease payments:

	Rent	Equipment
2019	\$ 29,213	\$ 4,994
2020	29,213	4,994
2021	29,213	4,994
2022	21,910	4,994

The organization has entered into a two year contractual commitment ending March 31, 2018 with Community Futures Lakeland. The financial commitment includes management services of \$4,500 per month as well as reimbursements for shared expenditures.

10. Non-Balance Sheet Items

To meet the needs of its clients and fulfill its purpose, the investment funds participate in various non-balance sheet instruments which these financial statements do not fully reflect. These instruments are subject to the investment funds normal credit and financial procedures and consist of:

- i) Loan guarantees which represent irrevocable assurances that the investment funds will pay if a client cannot meet his obligations to a third party; and
- ii) Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans.

As at March 31, 2018 the investment fund had Nil (2017 - \$97,328) of undisbursed loans.

11. Financial Instruments

a) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The organization is exposed to credit risk on the loans receivable from its clients. In order to reduce such risk, the organization has adopted extensive credit and approval policies that include the regular review of client accounts and credit worthiness. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts.

b) 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 organization manages exposure through its policy of setting loan terms of less than 60 months.

COMMUNITY FUTURES LLOYDMINSTER AND REGION DEVELOPMENT
CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

11. Financial Instruments (continued)

c) Liquidity risk

The organizations exposure to liquidity risk is dependent on the collection of accounts receivable and obligations or raising of funds to meet commitments and sustain operations. The system controls liquidity risk by management of working capital, cash flows and the availability of borrowing facilities.

d) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is minimal.

e) Currency risk

It is management's opinion that the organization is not exposed to significant currency risk arising from its financial instruments as they are all in Canadian dollars.

12. Interfund Transfers

In the 2018 year \$112,160 was transferred from non-repayable to disability to temporarily cover a cash shortage.

COMMUNITY FUTURES LLOYDMINSTER AND REGION DEVELOPMENT
CORPORATION
SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED MARCH 31, 2018

Operating expenses	<u>2018</u>	<u>2017</u>
Salaries and benefits	\$ 138,181	\$ 97,600
Contract services	62,427	59,627
Professional fees	31,217	11,268
Office rent and utilities	29,211	29,195
Marketing and promotion	22,703	14,457
Staff travel	19,593	16,617
Amortization expense	16,849	6,147
Information technology	8,022	6,538
Telephone and internet	6,209	5,855
Maintenance and repairs	6,140	4,802
Office supplies	5,530	4,005
Equipment rental	4,963	3,608
Board member expenses	4,491	3,390
Special projects	3,544	23,285
Insurance	3,484	2,658
Meeting expenses	1,885	2,031
Memberships	1,171	1,632
Bank charges	<u>1,158</u>	<u>984</u>
	<u>\$ 366,778</u>	<u>\$ 293,699</u>