

COMMUNITY FUTURES LLOYDMINSTER AND REGION
DEVELOPMENT CORPORATION
FINANCIAL STATEMENTS
FOR THE YEAR ENDING MARCH 31, 2017

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

To Western Economic Diversification

We have audited the Community Futures Lloydminster and Region Development Corporation's compliance as at March 31, 2017 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
July 12, 2017

JMD Group LLP
CHARTERED ACCOUNTANTS



INDEPENDENT AUDITOR'S REPORT

To the Members of Community Futures Lloydminster
and Region Development Corporation

Maurice R. Joly, CA, CFP*
Barbara K. McCarthy, CA*
Claude R. Dion, CA, CMA*
Richard R. Jean, CA*
Amie Anderson, CA*
Raymond Desjardins, CA, CA-IT*
*Denotes Professional 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, 2017, 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, 2017, 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
July 12, 2017

JMD Group LLP
CHARTERED ACCOUNTANTS

COMMUNITY FUTURES LLOYDMINSTER AND REGION DEVELOPMENT CORPORATION
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2017

	General Fund	Non-Repayable	Loan Investment Funds Repayable	Disabled	2017	2016
ASSETS						
Current assets						
Cash in bank	\$ 367,904	\$ 382,138	\$ 273,278	\$ 37,756	\$ 1,061,076	\$ 1,021,957
GST receivable	7,615	--	--	--	7,615	4,106
Accounts receivable	25,791	--	--	--	25,791	11,546
Due from investment fund	603	--	--	--	603	103
Prepaid expenses	6,547	--	--	--	6,547	8,482
Current portion of investment loans	--	<u>262,227</u>	--	--	<u>262,227</u>	--
	408,460	644,365	273,278	37,756	1,363,859	1,046,194
Long term investments (note 3)	171,502	132,006	280,993	--	584,501	557,701
Capital assets (note 4)	78,739	--	--	--	78,739	8,414
Loans receivable - SBLA	199,445	--	--	--	199,445	258,231
Investment loans receivable (notes 5 - 7)	--	<u>615,900</u>	--	<u>29,368</u>	<u>645,268</u>	<u>966,174</u>
	<u>\$ 858,146</u>	<u>\$ 1,392,271</u>	<u>\$ 554,271</u>	<u>\$ 67,124</u>	<u>\$ 2,871,812</u>	<u>\$ 2,836,714</u>

LIABILITIES AND FUND BALANCES

Current liabilities						
Payables and accrued liabilities	\$ 87,247	\$ --	\$ --	\$ --	\$ 87,247	\$ 45,737
Government remittances	1,542	--	--	--	1,542	771
Due to general fund	--	(21,923)	22,880	(354)	603	103
Deferred revenue - WED	<u>28,580</u>	--	--	--	<u>28,580</u>	--
	117,369	(21,923)	22,880	(354)	117,972	46,611
	<u>189,056</u>	--	--	--	<u>189,056</u>	<u>263,590</u>
Loans repayable - SBLA	<u>306,425</u>	<u>(21,923)</u>	<u>22,880</u>	<u>(354)</u>	<u>307,028</u>	<u>310,201</u>
Fund balances						
Invested in capital assets	78,739	--	--	--	78,739	8,414
Externally restricted (note 8)	--	1,414,194	531,391	67,478	2,013,063	2,020,585
Unrestricted	<u>472,982</u>	--	--	--	<u>472,982</u>	<u>497,514</u>
	<u>551,721</u>	<u>1,414,194</u>	<u>531,391</u>	<u>67,478</u>	<u>2,564,784</u>	<u>2,526,513</u>
	<u>\$ 858,146</u>	<u>\$ 1,392,271</u>	<u>\$ 554,271</u>	<u>\$ 67,124</u>	<u>\$ 2,871,812</u>	<u>\$ 2,836,714</u>

Approved on Behalf of The Board:

Chairman

Treasurer

COMMUNITY FUTURES LLOYDMINSTER AND REGION DEVELOPMENT CORPORATION
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2017

	<u>Operating</u>	<u>Financing and Investing</u>			<u>2017</u>	<u>2016</u>
	<u>General Fund</u>	<u>Non-Repayable</u>	<u>Loan Investment Funds</u>	<u>Disabled</u>		
			<u>Repayable</u>			
Revenue						
Federal contracts	\$ 294,963	\$ --	\$ --	\$ --	\$ 294,963	\$ 294,963
Loan interest	18,683	72,003	1,999	239	92,924	91,521
Other revenue	8,347	--	--	--	8,347	18,615
Bank interest (expense)	1,190	(441)	542	92	1,383	6,932
CFLIP investment income	4,300	3,185	7,276	--	14,761	10,371
CFLIP unrealized gain (loss)	3,366	2,493	5,695	--	11,554	(2,541)
Self-employment contract	<u>10,013</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>10,013</u>	<u>8,558</u>
	<u>340,862</u>	<u>77,240</u>	<u>15,512</u>	<u>331</u>	<u>433,945</u>	<u>428,419</u>
Expenses						
Operating expenses (schedule)	293,699	--	--	--	293,699	283,044
Provision for investment losses	--	54,864	21,698	24,043	100,605	15,673
Loss on sale of assets	<u>1,368</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,368</u>	<u>841</u>
	<u>295,067</u>	<u>54,864</u>	<u>21,698</u>	<u>24,043</u>	<u>395,672</u>	<u>299,558</u>
Excess (deficiency) of revenue over expenses	<u>\$ 45,795</u>	<u>\$ 22,376</u>	<u>\$ (6,186)</u>	<u>\$ (23,712)</u>	<u>\$ 38,273</u>	<u>\$ 128,861</u>

COMMUNITY FUTURES LLOYDMINSTER AND REGION DEVELOPMENT CORPORATION
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2017

	Operating	Financing and Investing			2017	2016
	General Fund	Non-Repayable	Repayable	Disabled		
Equity in capital assets, beginning of year	\$ 8,414	\$ --	\$ --	\$ --	\$ 8,414	\$ 6,922
Purchase of capital assets	77,840	--	--	--	77,840	4,535
Amortization	(6,147)	--	--	--	(6,147)	(2,202)
Loss on disposal of capital assets	(1,368)	--	--	--	(1,368)	(841)
Equity in capital assets, end of year	<u>78,739</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>78,739</u>	<u>8,414</u>
Externally restricted funds, beginning of year	--	1,391,818	537,577	91,190	2,020,585	1,957,597
Excess (deficiency) of revenue over expenses	--	<u>22,376</u>	<u>(6,186)</u>	<u>(23,712)</u>	<u>(7,522)</u>	<u>62,988</u>
Externally restricted funds, end of year	<u>--</u>	<u>1,414,194</u>	<u>531,391</u>	<u>67,478</u>	<u>2,013,063</u>	<u>2,020,585</u>
Unrestricted funds, beginning of year	497,512	--	--	--	497,512	433,133
Excess of revenue over expenses	45,795	--	--	--	45,795	65,873
Purchase of capital assets	(77,840)	--	--	--	(77,840)	(4,535)
Amortization	6,147	--	--	--	6,147	2,202
Loss on disposal of capital assets	<u>1,368</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,368</u>	<u>841</u>
Unrestricted funds, end of year	<u>472,982</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>472,982</u>	<u>497,514</u>
	<u>\$ 551,721</u>	<u>\$ 1,414,194</u>	<u>\$ 531,391</u>	<u>\$ 67,478</u>	<u>\$ 2,564,784</u>	<u>\$ 2,526,513</u>

COMMUNITY FUTURES LLOYDMINSTER AND REGION DEVELOPMENT CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2017

	<u>Operating</u>	<u>Financing and Investing</u>			<u>2017</u>	<u>2016</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	\$ 323,543	\$ --	\$ --	\$ --	\$ 323,543	\$ 300,855
Investment income	27,539	54,706	664	67	82,976	90,395
Other	8,347	--	--	--	8,347	10,430
Self-employment contract	10,013	--	--	--	10,013	--
Investment loan repayments	--	564,943	6,801	--	571,744	447,969
SBLA loans collected	49,179	--	--	--	49,179	--
	<u>418,621</u>	<u>619,649</u>	<u>7,465</u>	<u>67</u>	<u>1,045,802</u>	<u>849,649</u>
Uses of cash						
Salaries and benefits	96,829	--	--	--	96,829	122,282
Materials and services	164,261	--	--	--	164,261	135,293
Purchase of capital assets	77,840	--	--	--	77,840	4,535
Purchase of investments	--	--	--	--	--	161,448
Investment loan advances	--	580,047	--	13,172	593,219	633,000
Repayment of SBLA loans	<u>74,534</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>74,534</u>	<u>37,389</u>
	<u>413,464</u>	<u>580,047</u>	<u>--</u>	<u>13,172</u>	<u>1,006,683</u>	<u>1,093,947</u>
Net increase (decrease) in cash	5,157	39,602	7,465	(13,105)	39,119	(244,298)
Cash, beginning of year	<u>362,747</u>	<u>342,536</u>	<u>265,813</u>	<u>50,861</u>	<u>1,021,957</u>	<u>1,266,255</u>
Cash, end of year	<u>\$ 367,904</u>	<u>\$ 382,138</u>	<u>\$ 273,278</u>	<u>\$ 37,756</u>	<u>\$ 1,061,076</u>	<u>\$ 1,021,957</u>

COMMUNITY FUTURES LLOYDMINSTER AND REGION DEVELOPMENT
CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017

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, 2017

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 86.5% (2016 – 84.5%) 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 \$14,458 (2016 – \$13,972) and C-Flip (Community Futures Lending and Investment Pool) Investments of \$570,043 (2016 - \$543,729). 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, 2017

4. Capital Assets

	2017			2016
	Cost	Accumulated Amortization	NBV	NBV
Leasehold improvements	\$ 70,271	\$ 3,513	\$ 66,758	\$ 3,496
Office furniture	10,003	6,029	3,974	568
Office equipment	42,021	34,346	7,675	3,686
Computer software	<u>8,230</u>	<u>7,898</u>	<u>332</u>	<u>664</u>
	<u>\$ 130,525</u>	<u>\$ 51,786</u>	<u>\$ 78,739</u>	<u>\$ 8,414</u>

5. Impaired Loans

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

	Gross <u>Amount</u>	General <u>Allowance</u>	Specific <u>Allowance</u>	Carrying Value	
				2017	2016
Loans to small business	\$ <u>265,127</u>	\$ <u>--</u>	\$ <u>215,031</u>	\$ <u>50,096</u>	\$ <u>74,882</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:

	2016 Ending <u>Balance</u>	Write offs (net of Recoveries)	Provision for Credit <u>Losses</u>	2017 Ending <u>Balance</u>
Loan Investment Fund - Non-repayable	\$ 87,596	\$ --	\$ 54,864	\$ 142,460
Loan Investment Fund - Repayable	22,172	--	21,698	43,870
Loan Investment Fund - Disability	<u>4,657</u>	<u>--</u>	<u>24,043</u>	<u>28,700</u>
	<u>\$ 114,425</u>	<u>\$ --</u>	<u>\$ 100,605</u>	<u>\$ 215,030</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, 2017

7. Investment Loans Receivable

Outstanding loans to entrepreneurs are interest bearing at fixed rates varying from 6% to 8.50% 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>2017</u>	<u>2016</u>
Non-Repayable Investment	\$ 1,414,194	\$ 1,391,818
Repayable Investment	531,391	537,577
Disabled Investment	<u>67,478</u>	<u>91,190</u>
	<u>\$ 2,013,063</u>	<u>\$ 2,020,585</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, 2018.

COMMUNITY FUTURES LLOYDMINSTER AND REGION DEVELOPMENT
CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017

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
2018	\$ 29,213	\$ 4,994
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, 2017 the investment fund had \$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, 2017

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. Comparative Figures

Certain of the 2016 comparative figures have been reclassified to conform to the current year's financial statement presentation.

COMMUNITY FUTURES LLOYDMINSTER AND REGION DEVELOPMENT
CORPORATION
SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED MARCH 31, 2017

Operating expenses	<u>2017</u>	<u>2016</u>
Salaries and benefits	\$ 97,600	\$ 120,775
Contract services	59,627	57,470
Office rent and utilities	29,195	28,670
Special projects	23,285	1,000
Staff travel	16,617	8,564
Marketing and promotion	14,457	14,142
Professional fees	11,268	15,532
Information technology	6,538	8,463
Amortization expense	6,147	2,202
Telephone and internet	5,855	6,846
Maintenance and repairs	4,802	1,662
Office supplies	4,005	5,106
Equipment rental	3,608	--
Board member expenses	3,390	3,401
Insurance	2,658	3,734
Meeting expenses	2,031	1,258
Memberships	1,632	3,459
Bank charges	<u>984</u>	<u>760</u>
	\$ <u>293,699</u>	\$ <u>283,044</u>