

Community Futures Wood Buffalo
Financial Statements
March 31, 2017

Management's Responsibility

To the Members of Community Futures Wood Buffalo:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian accounting standards for not-for-profit organizations and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is composed entirely of Directors who are neither management nor employees of the Organization. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Organization's external auditors.

MNP LLP is appointed by the members to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

August 22, 2017

Jon Close, General Manager

Independent Auditors' Report

To the Members of Community Futures Wood Buffalo:

We have audited the accompanying financial statements of Community Futures Wood Buffalo, which comprise the statement of financial position as at March 31, 2017, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Wood Buffalo as at March 31, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Fort McMurray, Alberta

August 22, 2017

MNP LLP

Chartered Professional Accountants

Community Futures Wood Buffalo
Statement of Financial Position

As at March 31, 2017

	<i>General Fund</i>	<i>Loan Investment Fund - Repayable</i>	<i>Loan Investment Fund - Non- Repayable</i>	<i>Loan Investment Fund - Disabilities</i>	<i>Capital Fund</i>	<i>2017</i>	<i>2016</i>
Assets							
Current							
Cash and cash equivalents (Note 4)	131,072	20,345	655,856	2,774	-	810,047	746,177
Marketable securities	-	-	-	196,062	-	196,062	190,819
Accounts receivable	5,715	-	541	-	-	6,256	3,484
Goods and services tax receivable	14,007	-	-	-	-	14,007	8,337
Prepaid expenses	5,193	-	-	-	-	5,193	4,368
Inter-fund receivable (payable)	(2,611)	675,198	(756,072)	83,485	-	-	-
	153,376	695,543	(99,675)	282,321	-	1,031,565	953,185
Capital assets (Note 5)	-	-	-	-	39,402	39,402	54,529
Loans receivable (Note 6)	-	-	694,704	-	-	694,703	775,277
	153,376	695,543	595,029	282,321	39,402	1,765,670	1,782,991

Continued on next page

Community Futures Wood Buffalo
Statement of Financial Position

As at March 31, 2017

	<i>General Fund</i>	<i>Loan Investment Fund - Repayable</i>	<i>Loan Investment Fund - Non- Repayable</i>	<i>Loan Investment Fund - Disabilities</i>	<i>Capital Fund</i>	<i>2017</i>	<i>2016</i>
							<i>(Restated - Note 3)</i>
Liabilities							
Current							
Bank indebtedness <i>(Note 7)</i>	-	376,113	-	-	-	376,113	376,113
Accounts payable and accruals	56,635	-	-	-	-	56,634	23,239
Deferred revenue <i>(Note 8)</i>	24,783	-	-	-	-	24,783	24,784
	81,418	376,113	-	-	-	457,530	424,136
Investment funds repayable <i>(Note 9)</i>	-	300,000	-	200,000	-	500,000	500,000
	81,418	676,113	-	200,000	-	957,530	924,136
Commitments <i>(Note 10)</i>							
Net Assets							
General Fund	71,958	-	-	-	-	71,958	105,699
Loan Investment Funds <i>(Note 11)</i>	-	19,430	595,029	82,321	-	696,780	698,627
Capital Fund	-	-	-	-	39,402	39,402	54,529
	71,958	19,430	595,029	82,321	39,402	808,140	858,855
	153,376	695,543	595,029	282,321	39,402	1,765,670	1,782,991

Approved on behalf of the Board

The accompanying notes are an integral part of these financial statements

Community Futures Wood Buffalo Statement of Operations

For the year ended March 31, 2017

						2017	2016
	General Fund	Loan Investment Fund - Repayable	Loan Investment Fund - Non- Repayable	Loan Investment Fund - Disabilities	Capital Fund		
Revenue							
Western Economic Diversification contribution	319,963	-	-	-	-	319,963	319,963
Interest income	-	94	81,752	5,259	-	87,105	155,335
Other income	57,810	-	85	-	-	57,895	32,938
Back to Business Resource Centre	41,006	-	-	-	-	41,006	-
Economic development	1,000	-	-	-	-	1,000	36,834
	419,779	94	81,837	5,259	-	506,969	545,070
Expenses							
Advertising	2,529	-	-	-	-	2,529	8,024
Amortization	-	-	-	-	16,831	16,831	14,915
Annual general meeting	966	-	-	-	-	966	4,579
Bad debts	16,017	-	77,274	-	-	93,291	723,211
Bank charges and interest	1,533	-	532	-	-	2,065	1,986
Conference fees	1,457	-	-	-	-	1,457	1,830
Economic development	-	-	-	-	-	-	1,834
Insurance	3,837	-	-	-	-	3,837	3,987
Interest on callable debt	-	11,231	-	-	-	11,231	24,676
Meals	8,340	-	-	-	-	8,340	8,964
Moving expense	-	-	-	-	-	-	14,118
Office	14,230	-	-	-	-	14,230	9,468
Professional fees	38,391	-	-	-	-	38,391	19,292
Rent	46,163	-	-	-	-	46,163	26,098
Repairs and maintenance	8,064	-	-	-	-	8,064	8,130
Salaries and benefits	256,133	-	-	-	-	256,133	281,983
Staff and board development	9,698	-	-	-	-	9,698	6,056
Telephone	8,083	-	-	-	-	8,083	5,893
Travel	36,375	-	-	-	-	36,375	10,920
	451,816	11,231	77,806	-	16,831	557,684	1,175,964
Excess (deficiency) of revenue over expenses	(32,037)	(11,137)	4,031	5,259	(16,831)	(50,715)	(630,894)

The accompanying notes are an integral part of these financial statements

Community Futures Wood Buffalo
Statement of Changes in Net Assets

For the year ended March 31, 2017

	<i>General Fund</i>	<i>Loan Investment Fund - Repayable</i>	<i>Loan Investment Fund - Non- Repayable</i>	<i>Loan Investment Fund - Disabilities</i>	<i>Capital Fund</i>	2017	2016
							<i>(Restated - Note 3)</i>
Net assets (deficit), beginning of year, as previously stated	105,699	30,567	(709,002)	77,062	54,529	(441,145)	189,749
Correction of an error (Note 3)	-	-	1,300,000	-	-	1,300,000	1,300,000
Net assets, beginning of year, as restated	105,699	30,567	590,998	77,062	54,529	858,855	1,489,749
Excess (deficiency) of revenue over expenses	(32,037)	(11,137)	4,031	5,259	(16,831)	(50,715)	(630,894)
Capital asset additions	(1,704)	-	-	-	1,704	-	-
Net assets, end of year	71,958	19,430	595,029	82,321	39,402	808,140	858,855

The accompanying notes are an integral part of these financial statements

Community Futures Wood Buffalo
Statement of Cash Flows
For the year ended March 31, 2017

	2017	2016
Cash flows from operating activities		
Operating		
Deficiency of revenue over expenses	(50,715)	(630,894)
Amortization	16,831	14,915
Bad debts	93,291	723,211
	59,407	107,232
Changes in working capital accounts		
Accounts receivable	(18,789)	8,233
Goods and services tax receivable	(5,670)	(4,187)
Prepaid expenses	(825)	4,019
Accounts payable and accruals	33,395	(8,571)
Deferred revenue	(1)	(63,345)
	67,517	43,381
Financing		
Repayments callable debt	-	(641,056)
Investing		
Net purchase of marketable securities <i>(Note 13)</i>	(5,243)	(4,822)
Purchase of capital assets	(1,704)	(51,233)
Net repayment of loans receivable <i>(Note 13)</i>	3,300	398,357
	(3,647)	342,302
Increase (decrease) in cash and cash equivalents	63,870	(255,373)
Cash and cash equivalents, beginning of year	746,177	1,001,550
Cash and cash equivalents, end of year	810,047	746,177

The accompanying notes are an integral part of these financial statements

Community Futures Wood Buffalo

Notes to the Financial Statements

For the year ended March 31, 2017

1. Incorporation and nature of the organization

Community Futures Wood Buffalo (the "Organization") was incorporated under the authority of the Business Corporations Act of Alberta as a not-for-profit organization and is exempt from income taxes under Section 149 of the Income Tax Act.

The Organization provides a wide range of small business services and business management tools including access to loans and other financial services that small businesses may otherwise be unable to obtain from other financial institutions. The Organization also runs specialized business programs and actively works with community and business leaders to foster rural economic growth.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations set out in Part III of the CPA Canada Handbook - Accounting, as issued by the Accounting Standards Board in Canada using the following significant accounting policies:

Fund accounting

The Organization follows the restricted fund method of accounting for contributions, and maintains three funds: the General Fund, the Loan Investment Fund and the Capital Fund.

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

The Loan Investment Fund reports the Organization's restricted resources that are to be used for assistance to small businesses and entrepreneurs in the form of loans and loan guarantees.

The Loan Investment Fund - Disabilities reports the Organization's resources provided to businesses owned and operated by disabled persons. The Loan Investment Fund - Non-Repayable, reports the Organizations resources provided to businesses through its non-repayable funding. The Loan Investment Fund -Repayable, reports the Organizations resources provided to businesses through its repayable funding.

The Capital Fund reports all contributions and expenditures relating to capital assets.

The Organization is restricted in the types of loans that can be made according to its agreements with Western Economic Diversification Canada ("WED") and Community Futures Network of Alberta ("CFNA").

Revenue recognition

The Organization follows the restricted fund method of accounting for contributions. Restricted contributions related to a specific fund are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue in the General Fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. General restricted contributions are deferred and recognized in the General Fund in the year in which the related expenses are incurred.

Restricted investment income is recognized in the appropriate deferred contribution balance or in net assets depending on the nature of the restrictions. Unrestricted investment income is recognized as revenue in the General Fund when earned.

Interest income is recorded based on the terms of the related loans receivable.

Contributed materials and services

Contributions of materials and services are recognized both as contributions and expenses in the statement of operations when a fair value can be reasonably estimated and when the materials and services are used in the normal course of the Organization's operations and would otherwise have been purchased.

Cash and cash equivalents

Cash and cash equivalents include balances with banks, cash on hand and highly liquid marketable securities with maturities less than 3 months. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

2. **Significant accounting policies** *(Continued from previous page)*

Marketable securities

Marketable securities with prices quoted in an active market are measured at fair value while those that are not quoted in an active market are measured at cost less impairment.

Loans receivable

Loans are initially recorded at fair value and subsequently measured at their amortized cost less impairment. Amortized cost is calculated as the loans' principal amount plus unamortized loan administration fees less any allowance for anticipated losses. Interest revenue is recorded on the accrual basis using the effective interest method. Loan administration fees are amortized over the term of the loan using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to the carrying amount of the financial asset.

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution if fair value can be reasonably determined.

Amortization is provided using the following methods at rates intended to amortize the cost of assets over their estimated useful lives.

	Method	Rate
Computer equipment	declining balance	30 %
Computer software	straight-line	5 years
Furniture and fixtures	declining balance	20 %
Leasehold improvements	straight-line	term of lease

Measurement uncertainty (use of estimates)

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 disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period.

Accounts receivable and loans receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of capital assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in the statement of operations in the periods in which they become known.

Financial instruments

All financial instruments are initially recorded at their fair value, excluding certain financial assets and liabilities originated and issued in a related party transaction measured at their carrying or exchange amount in accordance with Section 3840 Related Party Transactions. At initial recognition, the Organization may irrevocably elect to subsequently measure any financial instrument at fair value. The Organization has not made such an election during the year.

The Organization subsequently measures investments in equity instruments quoted in an active market at fair value. All other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to financial instruments subsequently measured at fair value are immediately recognized in statement of operations for the current period. Transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

The Organization assesses impairment of all of its financial assets measured at cost or amortized cost when there is an indication of impairment. Any impairment which is not considered temporary is included in current year statement of operations.

Community Futures Wood Buffalo Notes to the Financial Statements

For the year ended March 31, 2017

3. Correction of an error

During the year, the Organization determined that non-repayable contributions from Western Economic Diversification Canada do not meet the definition of a liability. As at March 31, 2016 and 2015, the impact of this correction has resulted in a decrease in investment funds repayable and an increase in net assets, beginning of year (loan investment funds) of \$1,300,000.

4. Cash and cash equivalents

	2017	2016
Unrestricted cash	785,264	721,393
Restricted cash	24,783	24,784
	810,047	746,177

Restricted cash consists of deferred funding from Western Economic Diversification Canada (Note 8).

5. Capital assets

	Cost	Accumulated amortization	2017 Net book value	2016 Net book value
Computer equipment	105,946	95,225	10,721	18,091
Computer software	5,474	3,767	1,707	2,723
Furniture and fixtures	62,601	55,638	6,963	8,701
Leasehold improvements	72,891	52,880	20,011	25,014
	246,912	207,510	39,402	54,529

6. Loans receivable

	2017	2016
Loans receivable	771,010	775,277
Less: allowance for doubtful accounts	76,307	-
	694,703	775,277

Loans receivable include term loans and lines of credit which bear interest at fixed rates varying from 0.75% - 12.99% (2015 - 6.75% - 12.99%), with monthly principal payments and interest repayments amortized for terms between 14 and 60 months (2016 - 14 and 60 months). Security is taken on these loans and includes personal guarantees, general security agreements covering business assets and mortgages on land and buildings.

It is impractical to determine the current portion of loans receivable.

7. Bank indebtedness

The Organization has access to a line of credit with Community Futures Network of Alberta bearing interest at the RBC prime rate, authorized to a maximum of \$1,250,000 (2016 - \$1,250,000). As at March 31, 2017, the Organization had drawn \$376,113 (2016 - \$376,113) on this facility. The line of credit is due on demand and in any case not later than November 2018. This facility is secured by a demand promissory note of \$1,250,000 and a registered general security agreement securing all assets and undertakings of the Organization. The prime rate of interest at March 31, 2017 was 2.70% (2016 - 2.70%).

Community Futures Wood Buffalo
Notes to the Financial Statements
For the year ended March 31, 2017

8. Deferred revenue

Changes in the deferred contribution balance are as follows:

	2017	2016
Stage Gate and Western Economic Diversification Canada		
Balance, beginning of year	24,784	53,129
Amount received during the year	319,962	346,626
Amounts repaid during the year	-	(52,836)
Amounts recognized as revenue during the year	(319,963)	(322,135)
Balance, end of year	24,783	24,784
Economic Development		
Balance, beginning of year	-	35,000
Amount received during the year	1,000	-
Amounts recognized as revenue during the year	(1,000)	(35,000)
Balance, end of year	-	-
	24,783	24,784

9. Investment funds repayable

	2017	2016 <i>(Restated - Note 3)</i>
Western Economic Diversification Canada Conditionally Repayable Contribution, non-interest bearing, unsecured, repayable upon 30 days notice in an event of default as defined in the contribution agreement.	300,000	300,000
Western Economic Diversification Canada Conditionally Repayable Contribution, non-interest bearing, unsecured, repayable upon 30 days notice in an event of default as defined in the contribution agreement.	200,000	200,000
	500,000	500,000

Western Economic Diversification Canada Conditionally Repayable Contributions are subject to certain conditions as stipulated in the contribution agreement. As at March 31, 2017, the Organization is in compliance with all such conditions required in this agreement.

10. Commitments

At at March 31, 2017, the Organization has \$145,332 (2016 - \$110,637) of undisbursed Line of Credit funds that have been committed.

The Organization has entered into rental and equipment lease agreements with estimated minimum annual payments as follows:

2018	48,353
2019	48,329
2020	48,063
2021	24,032

Community Futures Wood Buffalo

Notes to the Financial Statements

For the year ended March 31, 2017

11. Net assets - loan investment funds

Included in net assets - loan investment funds is a Western Economic Diversification Canada Non-Repayable Contribution in the amount of \$1,300,000 (2016 - \$1,300,000). The amount is non-interest bearing, unsecured and is non-repayable to the extent that the Organization is not in default of the Contribution Agreement. As at March 31, 2017, management believes the Organization is in compliance with the agreement.

12. Economic dependence

The Organization receives a substantial portion of its funding from Western Economic Diversification Canada. An agreement was signed on March 17, 2015 providing funding of \$319,963 per year for the next three years.

13. Supplemental cash flow information

Cash flows related to loans receivable and marketable securities have been presented on a net basis as it is impracticable for management to determine the gross cash receipts and repayments.

14. Financial instruments

The Organization, as part of its operations, carries a number of financial instruments. It is management's opinion that the Organization is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

Credit risk

Financial instruments that subject the Organization to concentrations of credit risk consist primarily of accounts receivable and loans receivable. The balance of accounts receivable and loans receivable are widely distributed among the Organization's customer base. The Organization performs regular credit assessments of its customers and provides allowances for potentially uncollectable accounts.

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. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

The Organization is exposed to interest rate cash flow risk on its Community Futures Network of Alberta line of credit with an interest rate at RBC prime. The Organization is also exposed to interest rate cash flow risk on its marketable securities and loans receivable with varying fixed interest rates.

Liquidity risk

Liquidity risk is the risk that the Organization will encounter difficulty in meeting obligations associated with financial liabilities. The Organization enters into transactions to borrow funds from financial institutions or other creditors for which repayment is required at various maturity dates. The Organization's exposure to liquidity risk is dependent on the collection of loans receivable to meet commitments and sustain operations.

15. Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation.