

**COMMUNITY FUTURES DEVELOPMENT  
CORPORATION OF STUART NECHAKO**

**FINANCIAL STATEMENTS**

**MARCH 31, 2015**

**Independent Auditor's Reports**

**Statement 1 - Operations**

**Statement 2 - Changes in Net Assets**

**Statement 3 - Changes in Investment in Capital Assets**

**Statement 4 - Financial Position**

**Statement 5 - Cash Flows**

**Notes to the Financial Statements**

## INDEPENDENT AUDITOR'S REPORT



To the Directors of Community Futures Development Corporation of Stuart Nechako:

We have audited the accompanying financial statements of Community Futures Development Corporation of Stuart Nechako which comprise the statement of financial position as at March 31, 2015 and the statements of operations, changes in net assets, changes in investment in capital 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 of these financial statements and fair presentation 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 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 the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the 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 Development Corporation of Stuart Nechako as at March 31, 2015 and the results of its operations and changes in fund balances, and changes in cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

July 28, 2015

Vanderhoof, British Columbia

*MNP LLP*

**CHARTERED PROFESSIONAL ACCOUNTANTS**

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

To Western Economic Diversification

We have audited the Community Futures Development Corporation of Stuart Nechako's compliance as at March 31, 2015 with the criteria established in the Contribution Agreement between Western Economic Diversification and the corporation dated April 24, 2006 with the effective date April 1, 2006 and the interpretation of the agreement as set out in Note 1 to the financial statements. Compliance with the criteria established by the provisions of the agreement is the responsibility of the Board of Directors of the 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 the 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, evaluation the overall compliance with the agreement, and where applicable, assessing the accounting principles used and significant estimates made by management.

In our opinion, as at March 31, 2015, the Community Futures Development Corporation of Stuart Nechako is in compliance, in all material respects, with the criteria established by the Contribution Agreement.

July 28, 2015

Vanderhoof, British Columbia

*MNP LLP*

**CHARTERED PROFESSIONAL ACCOUNTANTS**

## STATEMENT 1

## COMMUNITY FUTURES DEVELOPMENT CORPORATION OF STUART NECHAKO

## OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2015

	Disabled Entrepreneur Investment Program	Business Loans	Community Business Loans Program	Unrestricted Funds	General Funds	2015 Total	2014 Total
<b>REVENUE</b>							
Western Economic Diversification - core	\$ -	\$ -	\$ -	\$ -	\$ 316,028	\$ 316,028	\$ 316,028
Rent and other	-	-	-	-	7,265	7,265	7,426
Interest	-	-	-	-	722	722	679
Interest on loans	556	45,937	73,602	155	-	120,250	114,973
Interest from investments	3,887	12,234	4,893	4,706	-	25,720	26,192
Loan fees and commissions	-	50	38	5,983	-	6,071	4,739
	<u>4,443</u>	<u>58,221</u>	<u>78,533</u>	<u>10,844</u>	<u>324,015</u>	<u>476,056</u>	<u>470,037</u>
Transfer of interest income	-	-	-	-	-	-	-
	<u>4,443</u>	<u>58,221</u>	<u>78,533</u>	<u>10,844</u>	<u>324,015</u>	<u>476,056</u>	<u>470,037</u>
<b>EXPENSES</b>							
Wages and employee benefits	-	-	-	-	256,405	256,405	215,051
Insurance, occupancy and maintenance	-	-	-	-	34,146	34,146	33,604
Professional services	-	-	-	-	12,351	12,351	10,887
Advertising and promotion	-	-	-	-	10,171	10,171	13,740
Travel and accommodation	-	-	-	-	7,974	7,974	9,230
Telephone, fax and mail	-	-	-	-	7,890	7,890	11,484
Office expense and supplies	-	-	-	-	3,843	3,843	3,051
Capital purchases and lease	-	-	-	-	3,342	3,342	2,885
Training and development	-	-	-	-	2,997	2,997	6,399
Computer supplies and maintenance	-	-	-	-	2,737	2,737	10,501
Fees, dues and licenses	-	-	-	-	2,598	2,598	7,624
Special project	-	-	-	-	1,302	1,302	1,896
Printing and reference materials	-	-	-	-	412	412	394
Charge for loan and investment impairment	-	-	156,624	-	-	156,624	52,628
Business loans share of charge for loan impairment	-	78,312	(78,312)	-	-	-	-
	<u>-</u>	<u>78,312</u>	<u>78,312</u>	<u>-</u>	<u>346,168</u>	<u>502,792</u>	<u>379,374</u>
<b>EXCESS REVENUE (Statement 2)</b>	<u>\$ 4,443</u>	<u>\$ (20,091)</u>	<u>\$ 221</u>	<u>\$ 236,279</u>	<u>\$ (22,153)</u>	<u>\$ (26,736)</u>	<u>\$ 90,663</u>

STATEMENT 2

COMMUNITY FUTURES DEVELOPMENT CORPORATION OF STUART NECHAKO

CHANGES IN NET ASSETS

FOR THE YEAR ENDED MARCH 31, 2015

	<u>Disabled Entrepreneur Investment Program</u>	<u>Business Loans</u>	<u>Community Business Loans Program</u>	<u>Unrestricted Funds</u>	<u>General Funds</u>	<u>2015 Total</u>	<u>2014 Total</u>
<b>Balance, opening</b>	\$ (13,696)	\$ 674,123	\$ 374,021	\$ 201,796	\$ 9,697	\$ 1,245,941	\$ 1,155,278
<b>Revenue</b>	4,443	58,221	78,533	10,844	324,015	476,056	470,037
<b>Expenses</b>	-	78,312	78,312	-	346,168	502,792	379,374
<b>Excess revenue (Statement 1)</b>	4,443	(20,091)	221	10,844	(22,153)	(26,736)	90,663
<b>Fund balance transfers</b>	-	-	(50,786)	23,638	27,148	-	-
<b>Balance, closing (Statement 4)</b>	\$ (9,253)	\$ 654,032	\$ 323,456	\$ 236,278	\$ 14,692	\$ 1,219,205	\$ 1,245,941

**STATEMENT 3**

**COMMUNITY FUTURES DEVELOPMENT CORPORATION OF STUART NECHAKO**

**CHANGES IN INVESTMENT IN CAPITAL ASSETS**

**FOR THE YEAR ENDED MARCH 31, 2015**

	<u>2015</u>	<u>2014</u>
<b>BALANCE, OPENING</b>	\$ 17,711	\$ 12,996
Capital asset additions during the year	-	8,225
Depreciation expense	<u>(5,003)</u>	<u>(3,510)</u>
<b>BALANCE, CLOSING (Statement 4)</b>	<u>\$ 12,708</u>	<u>\$ 17,711</u>

## STATEMENT 4

**COMMUNITY FUTURES DEVELOPMENT CORPORATION OF STUART NECHAKO**  
**FINANCIAL POSITION**  
**AS AT MARCH 31, 2015**

	<b>Disabled Entrepreneur Investment Program</b>	<b>Business Loans</b>	<b>Community Business Loans Program</b>	<b>Unrestricted Funds</b>	<b>General Funds</b>	<b>2015 Total</b>	<b>2014 Total</b>
<b>ASSETS</b>							
<b>CURRENT</b>							
Cash	\$ 192,979	\$ 567,325	\$ 156,059	\$ 239,962	\$ (14,481)	\$ 1,141,844	\$ 1,139,880
Accounts receivable	-	713	-	-	950	1,663	1,673
GST/HST refundable	-	-	-	-	3,688	3,688	1,885
Interfund receivable	-	699,679	-	-	23,229	722,908	806,708
Prepaid expenses	-	-	-	-	4,656	4,656	3,274
	<u>192,979</u>	<u>1,267,717</u>	<u>156,059</u>	<u>239,962</u>	<u>18,042</u>	<u>1,874,759</u>	<u>1,953,420</u>
<b>LOANS RECEIVABLE, net of allowance for impaired loans (Notes 4 and 5)</b>	-	686,315	879,509	4,880	-	1,570,704	1,640,652
<b>CAPITAL (Notes 2 and 6)</b>	-	-	-	-	12,708	12,708	17,711
	<u>\$ 192,979</u>	<u>\$ 1,954,032</u>	<u>\$ 1,035,568</u>	<u>\$ 244,842</u>	<u>\$ 30,750</u>	<u>\$ 3,458,171</u>	<u>\$ 3,611,783</u>
<b>LIABILITIES</b>							
<b>CURRENT</b>							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 3,350	\$ 3,350	\$ 10,314
Government remittances payable	-	-	-	-	-	-	4,773
Deferred revenue	-	-	-	-	-	-	26,336
Interfund payable	<u>2,232</u>	<u>-</u>	<u>712,112</u>	<u>8,564</u>	<u>-</u>	<u>722,908</u>	<u>806,708</u>
	2,232	-	712,112	8,564	3,350	726,258	848,131
<b>CONDITIONALLY REPAYABLE INVESTMENT FUND CONTRIBUTIONS (Note 7)</b>	200,000	1,300,000	-	-	-	1,500,000	1,500,000
<b>NET ASSETS</b>							
<b>RESTRICTED FUNDS (Statement 2) (Notes 7 and 8)</b>	(9,253)	654,032	323,456	-	-	968,235	1,034,448
<b>UNRESTRICTED FUNDS (Statement 2)</b>	-	-	-	236,278	-	236,278	201,796
<b>INVESTMENT IN CAPITAL ASSETS (Statement 3)</b>	-	-	-	-	12,708	12,708	17,711
<b>NET ASSETS (Statement 2)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,692</u>	<u>14,692</u>	<u>9,697</u>
	<u>\$ 192,979</u>	<u>\$ 1,954,032</u>	<u>\$ 1,035,568</u>	<u>\$ 244,842</u>	<u>\$ 30,750</u>	<u>\$ 3,458,171</u>	<u>\$ 3,611,783</u>

APPROVED BY THE DIRECTORS:

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

## STATEMENT 5

## COMMUNITY FUTURES DEVELOPMENT CORPORATION OF STUART NECHAKO

## CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2015

	<u>Disabled Entrepreneur Investment Program</u>	<u>Business Loans</u>	<u>Community Business Loans Program</u>	<u>Unrestricted Funds</u>	<u>General Funds</u>	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Cash received from contribution agreements	\$ -	\$ -	\$ -	\$ -	\$ 289,692	\$ 289,692	\$ 342,364
Cash received from investments	-	-	-	-	722	722	679
Cash received from other sources	-	-	-	-	7,988	7,988	6,113
Cash paid for salaries and benefits	-	-	-	-	(256,405)	(256,405)	(215,051)
Cash paid for goods and services	-	-	-	-	(104,687)	(104,687)	(93,923)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(62,690)</u>	<u>(62,690)</u>	<u>40,182</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>							
Loans advanced	(10,000)	(162,500)	(245,500)	(7,000)	-	(425,000)	(986,998)
Repayment of loans	31,809	93,551	202,666	10,300	-	338,326	918,407
Interest and fees received on loans and investments	4,443	57,508	78,533	10,844	-	151,328	145,904
	<u>26,252</u>	<u>(11,441)</u>	<u>35,699</u>	<u>14,144</u>	<u>-</u>	<u>64,654</u>	<u>77,313</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Acquisition and lease of capital assets	-	-	-	-	-	-	(8,225)
<b>INCREASE (DECREASE) IN CASH DURING THE YEAR</b>	26,252	(11,441)	35,699	14,144	(62,690)	1,964	109,270
<b>CASH, OPENING</b>	166,730	730,484	173,234	54,879	14,553	1,139,880	1,030,610
<b>INTERFUND TRANSFERS</b>	(3)	(151,718)	(52,874)	170,939	33,656	-	-
<b>CASH, CLOSING</b>	<u>\$ 192,979</u>	<u>\$ 567,325</u>	<u>\$ 156,059</u>	<u>\$ 239,962</u>	<u>\$ (14,481)</u>	<u>\$ 1,141,844</u>	<u>\$ 1,139,880</u>



# COMMUNITY FUTURES DEVELOPMENT CORPORATION OF STUART NECHAKO

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2015

### 1. PURPOSE OF THE ORGANIZATION

Community Futures Development Corporation of Stuart Nechako is a non-profit organization incorporated under the Canada Corporations Act. The corporation is charged with the development and implementation of a strategic plan for the community economic development of the Stuart Nechako area in the form of small business advisory and counselling services and loans to qualified applicants. Funding for the corporation is provided through contribution agreements with Western Economic Diversification. The corporation is exempt from income taxes under the Income Tax Act as a non-profit organization.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The Corporation follows the restricted method of accounting for contributions.

#### A. Revenue Recognition

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.

#### B. Cash

Cash consists of cash on hand, cash on deposit and cheques issued and outstanding.

#### C. Capital Asset Valuation and Depreciation

Capital assets are treated as expenditures in the year of acquisition. These assets are carried at cost and accumulated in the statement of financial position. Depreciation is calculated using the declining balance method, except for leasehold improvements which are amortized on a straight line basis, at the rates set out in Note 6.

#### D. Impairment of Long-Lived Assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

#### E. Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure 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.

**COMMUNITY FUTURES DEVELOPMENT CORPORATION OF STUART NECHAKO**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2015**

**3. CASH**

Integrus Credit Union line of credit is secured by general security agreement over all assets of the corporation. Interest is payable at 4.4%. Current line of credit limit is \$45,000.

**4. INVESTMENT LOANS RECEIVABLE**

Outstanding loans to entrepreneurs are interest bearing at variable rates from Integrus Credit Union prime (3.4% at March 31, 2015) plus a minimum of 2% with monthly blended principal and interest repayments for terms up to 60 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, building and equipment.

**5. ALLOWANCE FOR IMPAIRED LOANS**

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:

	<u>2015</u>	<u>2014</u>
Loan investment fund - community business loans	\$ <u>156,624</u>	\$ <u>-</u>

Actual write-off, net of recoveries, will be deducted from the allowance for impaired loans. The provision for impaired loans in the statement of changes in loan fund balances is charged with an amount sufficient to keep the balance in the allowance for impaired loans adequate to absorb all credit related losses.

**COMMUNITY FUTURES DEVELOPMENT CORPORATION OF STUART NECHAKO**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2015**

**6. CAPITAL ASSETS**

		<u>2015</u>		
	<u>Rate</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Office furniture and equipment	20%	\$ 52,656	\$ 50,172	\$ 2,484
Computer equipment	30%	82,373	72,855	9,518
Website	30%	6,000	5,294	706
Leasehold improvements	1/7 S.L.	<u>9,592</u>	<u>9,592</u>	<u>-</u>
		<u>\$ 150,621</u>	<u>\$ 137,913</u>	<u>\$ 12,708</u>
		<u>2014</u>		
	<u>Rate</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Office furniture and equipment	20%	\$ 52,656	\$ 49,551	\$ 3,105
Computer equipment	30%	82,373	68,776	13,597
Website	30%	6,000	4,991	1,009
Leasehold improvements	1/7 S.L.	<u>9,592</u>	<u>9,592</u>	<u>-</u>
		<u>\$ 150,621</u>	<u>\$ 132,910</u>	<u>\$ 17,711</u>

**7. CONDITIONALLY REPAYABLE INVESTMENT FUND CONTRIBUTIONS**

In 2006 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 Funds are repayable if any of the following conditions occur:

- a. The Conditionally Repayable Investment Fund is not administered according to the terms and conditions specified in the agreement; or
- b. 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
- c. 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
- d. The agreement is terminated as described in Section 12; or
- e. An event of default occurs, as described in Section 7 of the Agreement; or
- f. The Minister does not approve terms and conditions to extend the project beyond March 31, 2018.

**COMMUNITY FUTURES DEVELOPMENT CORPORATION OF STUART NECHAKO**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2015**

**8. COMPOSITION OF INVESTMENT FUNDS**

The restricted funds balance comprise:

Net Investment Funds Contributed by Western Economic Diversification:

(a) Accumulated net earnings and losses of:		
Business loans fund	\$ 418,135	
Disabled entrepreneur investment fund	(9,253)	
(b) Non-repayable contribution	100,000	
(c) Accumulated net earnings on non-repayable contribution	<u>135,897</u>	644,779

Community Business Loans Program

(a) Original contribution	250,000	
(b) Additional contributions	237,000	
(c) Accumulated net earnings, losses and transfers	<u>(163,544)</u>	<u>323,456</u>

Total of Restricted Funds (Statement 4) \$ 968,235

**9. COMMUNITY BUSINESS LOANS PROGRAM CONTRIBUTION (formerly Forest Community Business Program)**

In 1999 the Corporation received \$487,000 from Forest Renewal B.C. for the purpose of providing loans, business counselling and training to small and medium sized Forest Sector Enterprises in British Columbia. As a condition of receiving this funding, the corporation matched the contribution, segregating \$487,000 of its business loans contribution from Western Economic Diversification for Forest Sector Enterprises purposes. In 2011 the agreement was amended by the Province of British Columbia, represented by the Minister of Community and Rural Development, and the Corporation. The amended agreement allows the Corporation to provide loans to enterprises meeting certain new eligibility criteria not restricted to the forest sector.

The funding agreement with the Province can be terminated by either party giving 90 days notice of termination. Upon termination of the agreement, the Province's proportion (50%) of the community business loan funds not lent out as at the date of termination of the agreement is to be repaid at the direction of the Province of B.C. As long as the corporation continues in operation, amount equal to the Province's proportion (50%) of any receipts of principal and interest payments on the loans after the date of termination of the agreement, net of all reasonable costs, up to 15% of the value of the balance of the fund as at the date of termination, are to be repaid on a quarterly basis commencing 90 days following the date of termination, at the direction of the Province of B.C. If the corporation discontinues operations, the Province of B.C. will be given a first assignment and security interest in the Province's proportion (50%) of the outstanding loans and in the Province's proportion (50%) undivided beneficial interest in all securities obtained for such loans.

**COMMUNITY FUTURES DEVELOPMENT CORPORATION OF STUART NECHAKO**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2015**

**10. ECONOMIC DEPENDENCE**

The Corporation is economically dependent on Western Economic Diversification Canada for funding. Any disruption of funding from these sources would limit the long term financial viability of the Corporation.

**11. INELIGIBLE OPERATING COSTS**

The terms of the Corporation's agreement with the Minister of Western Economic Diversification provide that certain expenditures which are contrary to the public purpose of the Community Futures Program are ineligible for funding. During the period, the Corporation incurred the following ineligible operating costs which have been included in the statements of operations:

Interest and penalties on payroll deduction remittances	\$ <u>451</u>
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**12. FINANCIAL INSTRUMENTS**

**Credit risk**

The Corporation is exposed to credit risk on the loans receivable from its clients. The Corporation provides credit to its clients in the normal course of its operations. The Corporation determines, on a continuing basis, the probable losses and sets a provision for losses based on the estimated realizable value.

**Liquidity risk**

Liquidity risk is the risk that the Corporation will not be able to meet its obligations associated with financial liabilities. Cash flow from operations provides a substantial portion of the Corporation's cash requirements. Additional cash requirements are met with the use of the available operating line of credit. The Corporation's borrowing arrangements are concentrated with a single Canadian financial institution.

**Fair value of financial instruments**

The carrying amount of the accounts receivable and accounts payable approximates their fair value because of the short-term maturities of these items.

The carrying amount of loans receivable approximates fair value because the interest rates are close to the market rates.

The fair value of conditionally repayable investment fund contributions is not determinable as it is due without interest with related parties and accordingly cannot be ascertained with reference to similar debt with non-related parties.