

**Community Futures Development Corporation of Stuart Nechako**  
**Financial Statements**  
*March 31, 2016*

# Community Futures Development Corporation of Stuart Nechako Contents

*For the year ended March 31, 2016*

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## Management's Responsibility

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

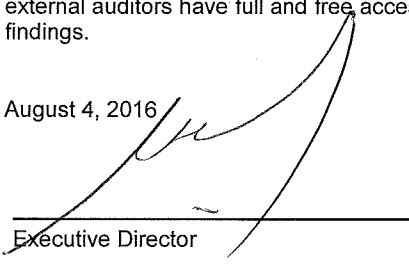
Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian accounting standards for not-for-profit organizations. This responsibility includes selecting 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 Corporation. 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.

MNP LLP is appointed by the Board of Directors 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 with, both the Board and management to discuss their audit findings.

August 4, 2016



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Executive Director

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## Independent Auditors' Report

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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, 2016, and the statements of operations, changes in fund balances and cash flows for the year ended 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 Development Corporation of Stuart Nechako as at March 31, 2016 and the results of its operations, changes in fund balances and its cash flows for the year ended then ended in accordance with Canadian accounting standards for not-for-profit organizations.

The comparative figures were audited by another firm of chartered public accountants who issued an opinion without reservation on July 28, 2015.

Vanderhoof, British Columbia

August 4, 2016

*MNP* LLP

Chartered Professional Accountants

**Community Futures Development Corporation of Stuart Nechako**  
**Statement of Financial Position**

*As at March 31, 2016*

	<i>Disabled Entrepreneur Investment Program</i>	<i>Business Loans</i>	<i>Community Business Loan Program</i>	<i>Unrestricted Fund</i>	<i>General Fund</i>	<b>2016</b>	<b>2015</b>
<b>Assets</b>							
<b>Current</b>							
Cash	196,746	398,173	321,983	227,497	295	1,144,694	1,156,694
Accrued interest receivable	-	3,654	2,685	56	-	6,395	713
Prepaid expenses	-	-	-	-	2,511	2,511	4,656
GST receivable	-	-	-	-	5,852	5,852	3,688
Accounts receivable	-	-	-	-	9,622	9,622	950
Current portion of loans receivable (Note 4)	-	196,706	182,399	8,230	-	387,335	514,171
Interfund receivable (Note 8)	-	664,642	-	-	59,559	724,201	-
	<b>196,746</b>	<b>1,263,175</b>	<b>507,067</b>	<b>235,783</b>	<b>77,839</b>	<b>2,280,610</b>	<b>1,680,872</b>
<b>Capital assets (Note 3)</b>	-	-	-	-	9,144	9,144	12,708
<b>Loans receivable (Note 4)</b>	-	656,503	590,645	12,883	-	1,260,031	1,056,533
	<b>196,746</b>	<b>1,919,678</b>	<b>1,097,712</b>	<b>248,666</b>	<b>86,983</b>	<b>3,549,785</b>	<b>2,750,113</b>

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**Community Futures Development Corporation of Stuart Nechako**  
**Statement of Financial Position**

*As at March 31, 2016*

	<i>Disabled Entrepreneur Investment Program</i>	<i>Business Loans</i>	<i>Community Business Loan Program</i>	<i>Unrestricted Fund</i>	<i>General Fund</i>	<b>2016</b>	<b>2015</b>
<b>Liabilities</b>							
<b>Current</b>							
Credit union indebtedness (Note 5)	-	-	-	-	31,600	31,600	14,851
Accounts payable and accruals	-	-	-	-	5,210	5,210	3,349
Deferred contribution	-	-	-	-	26,336	26,336	-
Interfund payable (Note 8)	2,233	-	713,485	8,483	-	724,201	-
	2,233	-	713,485	8,483	63,146	787,347	18,200
Repayable contributions (Note 6)	200,000	1,300,000	-	-	-	1,500,000	1,500,000
	202,233	1,300,000	713,485	8,483	63,146	2,287,347	1,518,200
<b>Fund Balances</b>							
Externally restricted (Note 7)	(5,487)	619,678	384,227	-	-	998,418	968,235
Unrestricted	-	-	-	240,183	-	240,183	236,278
Unrestricted operations	-	-	-	-	14,693	14,693	14,692
Invested in capital assets	-	-	-	-	9,144	9,144	12,708
<b>Net assets, end of year</b>	(5,487)	619,678	384,227	240,183	23,837	1,262,438	1,231,913
	196,746	1,919,678	1,097,712	248,666	86,983	3,549,785	2,750,113

Approved on behalf of the Board

Director

Director

The accompanying notes are an integral part of these financial statements

# Community Futures Development Corporation of Stuart Nechako

## Statement of Operations

For the year ended March 31, 2016

	Disabled Entrepreneur Investment Program	Business Loans	Community Business Loan Program	Unrestricted Fund	General Fund	2016	2015
<b>Revenue</b>							
Western Economic Diversification contributions	-	-	-	-	316,028	316,028	316,028
Loan interest	-	61,068	55,684	90	-	116,842	120,247
Bank interest	3,767	7,421	5,011	4,660	425	21,284	26,446
Loan application fees	-	97	75	4,135	-	4,307	6,071
Rental and other income	-	-	-	9	22,067	22,076	7,265
<b>Total revenue</b>	<b>3,767</b>	<b>68,586</b>	<b>60,770</b>	<b>8,894</b>	<b>338,520</b>	<b>480,537</b>	<b>476,057</b>
<b>Expenses</b>							
Advertising and promotion	-	-	-	-	23,826	23,826	10,171
Amortization	-	-	-	-	3,564	3,564	5,003
Bad debts	-	66,147	-	-	-	66,147	156,624
Equipment lease	-	-	-	-	2,551	2,551	3,342
Computer supplies and maintenance	-	-	-	-	524	524	2,737
Insurance, occupancy and maintenance	-	-	-	-	33,690	33,690	34,146
Office supplies	-	-	-	-	4,517	4,517	3,843
Printing and reference materials	-	-	-	-	482	482	412
Professional fees	-	-	-	-	10,186	10,186	12,351
Salaries and benefits	-	-	-	-	264,265	264,265	256,405
Special projects	-	-	-	5,000	9,888	14,888	1,302
Telephone, fax and mail	-	-	-	-	7,919	7,919	7,890
Training and development	-	-	-	-	2,652	2,652	2,997
Travel and accomodation	-	-	-	-	11,198	11,198	7,974
Fees and dues	-	-	-	-	3,603	3,603	2,598
<b>Total expenses</b>	<b>-</b>	<b>66,147</b>	<b>-</b>	<b>5,000</b>	<b>378,865</b>	<b>450,012</b>	<b>507,795</b>
<b>Excess (deficiency) of revenue over expenses before other items</b>	<b>3,767</b>	<b>2,439</b>	<b>60,770</b>	<b>3,894</b>	<b>(40,345)</b>	<b>30,525</b>	<b>(31,738)</b>
<b>Other items</b>							
Interest transfers (Note 8)	-	36,781	-	-	(36,781)	-	-
<b>Excess (deficiency) of revenue over expenses</b>	<b>3,767</b>	<b>(34,342)</b>	<b>60,770</b>	<b>3,894</b>	<b>(3,564)</b>	<b>30,525</b>	<b>(31,738)</b>

The accompanying notes are an integral part of these financial statements

**Community Futures Development Corporation of Stuart Nechako**  
**Statement of Changes in Fund Balances**

*For the year ended March 31, 2016*

	<i>Disabled Entrepreneur Investment Program</i>	<i>Business Loans</i>	<i>Community Business Loan Program</i>	<i>Unrestricted Fund</i>	<i>General Fund</i>	<b>2016</b>	<b>2015</b>
<b>Net assets, beginning of year</b>	(9,254)	654,020	323,457	236,289	27,401	1,231,913	1,263,651
<b>Excess (deficiency) of revenue over expenses</b>	3,767	(34,342)	60,770	3,894	(3,564)	30,525	(31,738)
<b>Net assets, end of year</b>	(5,487)	619,678	384,227	240,183	23,837	1,262,438	1,231,913

*The accompanying notes are an integral part of these financial statements*



# Community Futures Development Corporation of Stuart Nechako

## Statement of Cash Flows

For the year ended March 31, 2016

	2016	2015
<b>Cash provided by (used for) the following activities</b>		
<b>Operating</b>		
Cash received from contributions	342,364	289,692
Cash receipts from other sources	4,307	7,988
Cash receipts from unrestricted investment income	425	722
Cash paid for program service expenses	(104,365)	(104,685)
Cash paid for salaries and benefits	(264,265)	(256,405)
	(21,534)	(62,688)
<b>Investing</b>		
Advances of loans receivable	(660,281)	(425,000)
Repayment of loans receivable	514,176	338,326
Interest and fees received on loan and investments	138,890	151,326
	(7,215)	64,652
<b>Increase (decrease) in cash resources</b>	(28,749)	1,964
<b>Cash resources, beginning of year</b>	1,141,843	1,139,879
<b>Cash resources, end of year</b>	1,113,094	1,141,843
<b>Cash resources are composed of:</b>		
Cash and cash equivalents	1,144,694	1,156,694
Bank indebtedness	(31,600)	(14,851)
	1,113,094	1,141,843

The accompanying notes are an integral part of these financial statements

# Community Futures Development Corporation of Stuart Nechako

## Notes to the Financial Statements

For the year ended March 31, 2016

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### 1. Incorporation and nature of the organization

Community Futures Development Corporation of Stuart Nechako (the "Corporation") was incorporated without share capital under Part II of the Canada Corporations Act, is a not-for-profit corporation and is exempt for income tax purposes.

The Corporation is charged with the development and implementation of a strategic plan for the community economic development of the Stuart Nechako area of British Columbia 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 ("WED").

### 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 and include the following significant accounting policies:

#### **Fund accounting**

The Corporation follows the restricted fund method of accounting for contributions, and maintains five funds: the Disabled Entrepreneur Investment Program Fund, the Business Loans Fund, the Community Business Loan Program Fund, the Unrestricted Fund, and the General Fund.

The General Fund and the Unrestricted Fund provide the personnel and other facilities that enable the Corporation to deliver the Community Futures contribution agreement with WED and other related programs. They account for the Corporation's program delivery and administrative activities.

The Disabled Entrepreneur Investment Program Fund, the Business Loans Fund, and the Community Business Loan Program Fund promote economic development in the community by providing assistance to small businesses in the form of loans or equity investments in accordance with the requirements of the agreement with WED. The assets, liabilities, revenue and expenses associated with providing these loans and equity investments are recorded in these funds.

#### **Revenue recognition**

The annual WED contribution is recognized as revenue in the year specified in the agreement with WED. Interest transfers are recognized as revenue in the period that the transfer is approved by WED. Loan interest and bank interest is recognized in the period in which it is earned. Loan application fees, rental and other revenues are recognized as revenue in the year in which the revenue is earned or the services provided, and when the amount is determinable and collection is reasonably assured.

#### **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 Corporation's operations and would otherwise have been purchased.

Committee volunteers contribute many hours of time to the Corporation. Because of the difficulty in determining fair value, these contributed services are not recognized in the financial statements.

#### **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:

	<b>Method</b>	<b>Rate</b>
Computer equipment	declining balance	30 %
Furniture and fixtures	declining balance	20 %
Leasehold improvements	straight-line	7 years
Website	declining balance	30 %

# Community Futures Development Corporation of Stuart Nechako

## Notes to the Financial Statements

For the year ended March 31, 2016

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### **Measurement uncertainty**

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.

Accrued interest receivable, 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 excess of revenue and expenses in the periods in which they become known.

### **Financial instruments**

The Corporation recognizes its financial instruments when the Corporation becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management. Financial assets and liabilities originated and issued in all other related party transactions are initially measured at their carrying or exchange amount in accordance with CPA Canada Handbook - Accounting Section 3840 *Related Party Transactions*.

At initial recognition, the Corporation may irrevocably elect to subsequently measure any financial instrument at fair value. The Corporation has not made such an election during the year ended.

The Corporation subsequently measures investments in equity instruments quoted in an active market at fair value. Investments in equity instruments not quoted in an active market are subsequently measured at cost less impairment. All other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in the excess of revenue over expenses for the current period. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

### **Financial asset impairment:**

The Corporation assesses impairment of all of its financial assets measured at cost or amortized cost. Management considers whether there has been a breach in contract, such as a default or delinquency in interest or principal payments in determining whether objective evidence of impairment exists. When there is an indication of impairment, the Corporation determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year ended. If so, the Corporation reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets; and the amount expected to be realized by exercising any rights to collateral held against those assets. Any impairment, which is not considered temporary, is included in current year ended excess of revenue over expenses.

The Corporation reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in the excess of revenue over expenses in the year ended the reversal occurs.

# Community Futures Development Corporation of Stuart Nechako

## Notes to the Financial Statements

*For the year ended March 31, 2016*

### 3. Capital assets

	<i>Cost</i>	<i>Accumulated amortization</i>	<i>2016 Net book value</i>	<i>2015 Net book value</i>
Computer equipment	82,373	75,710	6,663	9,518
Furniture and fixtures	52,656	50,669	1,987	2,484
Leasehold improvements	9,592	9,592	-	-
Website	6,000	5,506	494	706
	<b>150,621</b>	<b>141,477</b>	<b>9,144</b>	<b>12,708</b>

### 4. Loans receivable

Loans receivable are repayable monthly at varying amounts including interest ranging from 0% to Integris Credit Union prime plus 6% and have maturities of up to 60 months.

	<i>2016</i>	<i>2015</i>
Loans receivable	1,713,514	1,727,328
Less: allowance for doubtful loans	<b>(66,148)</b>	(156,624)
	<b>1,647,366</b>	1,570,704
Less: current portion of loans receivable	<b>(387,335)</b>	(514,171)
	<b>1,260,031</b>	1,056,533

Subsequent to year-end, a performing loan with a receivable balance of \$66,148 went into default and has since been provided for as doubtful.

### 5. Credit union indebtedness

Integris Credit Union line of credit is secured by general security agreement over all assets of the Corporation. Interest is payable at 4.3%. Current line of credit limit is \$45,000.

# Community Futures Development Corporation of Stuart Nechako

## Notes to the Financial Statements

*For the year ended March 31, 2016*

### 6. Repayable contributions

The Corporation has received repayable contributions from the Government of Canada and the Province of British Columbia. These contributions provided the capital through which loans, loan guarantees and equity investments can be made in businesses owned and operated by applicants eligible under the specific programs being managed by the Corporation.

	2016	2015
Disabled Entrepreneur Investment Program Fund Under the original terms of this funding agreement, loans could be made to disabled entrepreneurs until March 31, 2004. This agreement was subsequently extended to March 31, 2005. Advances to the Corporation were unsecured and did not bear interest. No further extension has been granted and accordingly funds must be repaid to WED on demand.	<b>200,000</b>	200,000
Business Loans Fund Under the terms of this restated contribution agreement, loans may be made to small businesses carrying on business in the forest, aquaculture, manufacturing or tourism sectors. Advances to the Corporation were unsecured and did not bear interest. In the event that the funding agreement is terminated, any uncommitted funds together with interest thereon must be repaid to the Province of BC. Subsequent principal and interest repayments must be repaid to the Province of BC in proportion to their share of such loans. The agreement can be terminated by either party with 90 days notice and accordingly is classified as a current liability.	<b>1,300,000</b>	1,300,000
	<b>1,500,000</b>	1,500,000

### 7. Composition of investment funds

The restricted funds balance comprise:

	2016	2015
<b>Net investment funds contributed by Western Economic Diversification</b>		
Accumulated net earnings and losses of business loans fund	<b>378,420</b>	418,135
Accumulated net earnings and losses of disabled entrepreneur investment program fund	<b>(5,487)</b>	(9,253)
Non-repayable contribution	<b>100,000</b>	100,000
Accumulated net earnings on non-repayable contribution	<b>141,258</b>	135,897
	<b>614,191</b>	644,779
<b>Community business loan program</b>		
Original contribution, non-repayable	<b>250,000</b>	250,000
Additional contribution, non-repayable	<b>237,000</b>	237,000
Accumulated net earnings, losses and transfers	<b>(102,773)</b>	(163,544)
	<b>384,227</b>	323,456
	<b>998,418</b>	968,235

# Community Futures Development Corporation of Stuart Nechako

## Notes to the Financial Statements

For the year ended March 31, 2016

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### 8. Interfund transactions

The General Fund received interest transfers of \$36,781 (2015 - \$27,148) from the non-repayable Business Loans Fund (2015 - Community Business Loan Program). The Unrestricted Fund received interest transfers of nil (2015 - \$23,638) from the non-repayable Community Business Loan Program.

The balances due from (to) other funds are non-interest bearing, unsecured and have no fixed terms of repayment.

### 9. Economic dependence

The Corporation is dependent on contributions from the Government of Canada; specifically general fund contributions from WED.

### 10. Financial instruments

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

#### ***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 Corporation is exposed to interest rate cash flow risk with respect to loans receivable and accrued interest receivable, which are subject to a range of interest rates ranging from 0% to Integris Credit Union prime plus 6% (2015: 0% to Integris Credit Union prime plus 6%).

#### ***Credit concentration***

Financial instruments that potentially subject the Corporation to concentrations of credit risk consist primarily of cash, accrued interest receivable and loans receivable. The Corporation has provided for credit risks by establishing allowances against the carrying value of certain impaired loans. Loans are considered impaired as soon as collection of the full principal and interest on the loan becomes doubtful. Each impaired loan is evaluated separately and written down to the fair value of any security held. Various forms of security are taken on loans ranging from promissory notes and personal guarantees of principals to chattel mortgages and mortgages over real property. Credit risk exposure is limited for cash due to the credit quality of the financial institution where the cash is held. The maximum credit risk exposure is \$2,833,004 (2015 - \$2,713,260).

### 11. Comparative figures

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