

Community Futures Development Corporation of Stuart Nechako
Financial Statements
March 31, 2018

Community Futures Development Corporation of Stuart Nechako
Contents

For the year ended March 31, 2018

	<i>Page</i>
Management's Responsibility	
Independent Auditors' Report	
Financial Statements	
Statement of Financial Position.....	1
Statement of Operations.....	3
Statement of Changes in Fund Balances.....	4
Statement of Cash Flows.....	5
Notes to the Financial Statements.....	6

Management's Responsibility

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.

July 21, 2018



Executive Director

Independent Auditors' 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, 2018, and the statements of operations, changes in fund balances 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 Development Corporation of Stuart Nechako as at March 31, 2018 and the results of its operations, changes in fund balances and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Prince George, British Columbia

July 21, 2018

MNP LLP

Chartered Professional Accountants

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

As at March 31, 2018

	<i>Disabled Entrepreneur Investment Program Fund</i>	<i>Business Loans Fund</i>	<i>Community Business Loan Program Fund</i>	<i>Unrestricted Fund</i>	<i>General Fund</i>	2018	2017
Assets							
Current							
Cash	75,084	164,249	80,399	232,870	381	552,983	843,452
Accrued interest receivable	-	670	-	-	-	670	391
Prepaid expenses	-	-	-	-	2,640	2,640	2,223
GST receivable	-	-	-	-	9,297	9,297	7,592
Accounts receivable	-	-	-	-	3,705	3,705	4,997
Current portion of loans receivable (Note 4)	58,987	106,612	297,145	141,376	-	604,120	606,262
Interfund receivable (payable)	(2,153)	359,918	(309,145)	(104,812)	56,192	-	-
	131,918	631,449	68,399	269,434	72,215	1,173,415	1,464,917
Capital assets (Note 3)	-	-	-	-	4,779	4,779	6,599
Loans receivable (Note 4)	80,345	1,398,087	835,471	13,362	-	2,327,265	1,487,568
	212,263	2,029,536	903,870	282,796	76,994	3,505,459	2,959,084

Continued on next page

Community Futures Development Corporation of Stuart Nechako
Statement of Financial Position

As at March 31, 2018

	<i>Disabled Entrepreneur Investment Program Fund</i>	<i>Business Loans Fund</i>	<i>Community Business Loan Program Fund</i>	<i>Unrestricted Fund</i>	<i>General Fund</i>	2018	2017
Liabilities							
Current							
Credit union indebtedness (Note 5)	-	-	-	-	48,216	48,216	27,298
Accounts payable and accruals	-	-	-	-	8,960	8,960	9,283
Deferred contribution	-	-	-	-	-	-	26,336
Repayable contributions (Note 6)	200,000	925,000	375,000	-	-	1,500,000	1,500,000
Current portion of long-term debt (Note 7)	-	77,472	-	-	-	77,472	-
	200,000	1,002,472	375,000	-	57,176	1,634,648	1,562,917
Long-term debt (Note 7)	-	300,995	-	-	-	300,995	-
	200,000	1,303,467	375,000	-	57,176	1,935,643	1,562,917
Fund Balances							
Externally restricted (Note 8)	12,263	726,069	528,870	-	-	1,267,202	1,111,857
Unrestricted	-	-	-	282,796	-	282,796	260,473
Unrestricted operations	-	-	-	-	15,039	15,039	17,238
Invested in capital assets	-	-	-	-	4,779	4,779	6,599
Net assets, end of year	12,263	726,069	528,870	282,796	19,818	1,569,816	1,396,167
	212,263	2,029,536	903,870	282,796	76,994	3,505,459	2,959,084

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, 2018

	Disabled Entrepreneur Investment Program Fund	Business Loans Fund	Community Business Loan Program Fund	Unrestricted Fund	General Fund	2018	2017
Revenue							
Western Economic Diversification contributions	-	-	-	-	316,028	316,028	316,028
Loan interest	-	88,586	71,568	9,762	-	169,916	123,214
Bank interest	11,706	2,262	1,994	3,288	258	19,508	20,097
Loan application fees	-	49	654	15,763	-	16,466	14,043
Rental and other income	-	-	-	315	16,029	16,344	17,218
Bad debt recovery	-	5,500	7,360	-	-	12,860	17,821
Total revenue	11,706	96,397	81,576	29,128	332,315	551,122	508,421
Expenses							
Salaries and benefits	-	-	-	-	282,100	282,100	279,121
Insurance, occupancy and maintenance	-	-	-	-	34,597	34,597	33,858
Professional fees	-	-	-	-	13,088	13,088	9,582
Fees and dues	-	-	-	-	8,042	8,042	2,515
Telephone, fax and mail	-	-	-	-	7,456	7,456	7,516
Bad debts	-	-	-	6,805	-	6,805	-
Travel and accomodation	-	-	-	-	5,834	5,834	10,475
Office supplies	-	-	-	-	4,603	4,603	3,596
Advertising and promotion	-	-	-	-	4,378	4,378	12,977
Training and development	-	-	-	-	2,729	2,729	2,746
Equipment lease	-	-	-	-	2,477	2,477	2,702
Special projects	-	-	-	-	2,414	2,414	2,495
Computer supplies and maintenance	-	-	-	-	771	771	4,266
Printing and reference materials	-	-	-	-	358	358	299
Amortization	-	-	-	-	1,821	1,821	2,544
Total expenses	-	-	-	6,805	370,668	377,473	374,692
Excess (deficiency) of revenue over expenses before other items	11,706	96,397	81,576	22,323	(38,353)	173,649	133,729
Other items							
Interest transfers <i>(Note 9)</i>	-	34,334	-	-	(34,334)	-	-
Excess (deficiency) of revenue over expenses	11,706	62,063	81,576	22,323	(4,019)	173,649	133,729

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, 2018

	<i>Disabled Entrepreneur Investment Program Fund</i>	<i>Business Loans Fund</i>	<i>Community Business Loan Program Fund</i>	<i>Unrestricted Fund</i>	<i>General Fund</i>	2018	2017
Net assets, beginning of year	557	664,006	447,294	260,473	23,837	1,396,167	1,262,438
Excess (deficiency) of revenue over expenses	11,706	62,063	81,576	22,323	(4,019)	173,649	133,729
Net assets, end of year	12,263	726,069	528,870	282,796	19,818	1,569,816	1,396,167

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, 2018

	2018	2017
Cash provided by (used for) the following activities		
Operating		
Cash received from contributions	342,364	316,028
Cash receipts from other sources	16,466	14,043
Cash receipts from unrestricted investment income	19,508	20,097
Cash paid for program service expenses	(134,640)	(71,140)
Cash paid for salaries and benefits	(282,100)	(279,121)
Cash receipts from (paid for) interest	(279)	6,005
	(38,681)	5,912
Financing		
Advances of long-term debt	400,000	-
Repayment of long-term debt	(21,533)	-
	378,467	-
Investing		
Advances of loans receivable	(1,583,329)	(888,470)
Repayment of loans receivable	745,774	442,006
Interest and fees received on loans receivable	186,382	143,612
	(651,173)	(302,852)
Decrease in cash resources	(311,387)	(296,940)
Cash resources, beginning of year	816,154	1,113,094
Cash resources, end of year	504,767	816,154
Cash resources are composed of:		
Cash and cash equivalents	552,983	843,452
Credit union indebtedness	(48,216)	(27,298)
	504,767	816,154

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, 2018

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 revenue 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:

	Method	Rate
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, 2018

2. Significant accounting policies (Continued from previous page)

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 over 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.

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. 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 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 the reversal occurs.

Community Futures Development Corporation of Stuart Nechako

Notes to the Financial Statements

For the year ended March 31, 2018

3. Capital assets

	<i>Cost</i>	<i>Accumulated amortization</i>	<i>2018 Net book value</i>	<i>2017 Net book value</i>
Computer equipment	82,373	79,108	3,265	4,664
Furniture and fixtures	52,656	51,384	1,272	1,589
Leasehold improvements	9,592	9,592	-	-
Website	6,000	5,758	242	346
	150,621	145,842	4,779	6,599

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. Integris Credit Union prime rate at March 31, 2018 was 3.95% (2017 - 3.3%).

	<i>2018</i>	<i>2017</i>
Loans receivable	2,981,015	2,142,155
Less: allowance for doubtful loans	(49,630)	(48,325)
	2,931,385	2,093,830
Less: current portion of loans receivable	(604,120)	(606,262)
	2,327,265	1,487,568

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 4.95% (2017 - 4.3%). Current line of credit limit is \$45,000 (2017 - \$45,000).

Community Futures Development Corporation of Stuart Nechako

Notes to the Financial Statements

For the year ended March 31, 2018

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.

	2018	2017
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.	200,000	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 not classified as a long-term liability.	487,000	487,000
Business Loans Fund Under the terms of this agreement, loans may be made to small businesses carrying on business that provides a level of benefit in terms of employment creation, the development of community-owned or controlled businesses, and strengthening of the western Canadian economy. Advances to the Corporation were unsecured and did not bear interest. Funds are repayable to WED on demand.	813,000	813,000
	1,500,000	1,500,000

7. Long-term debt

	2018	2017
Community Futures Development Association of British Columbia loan bearing interest at 1.85% payable in monthly instalments of \$6,985, due December 2022.	378,467	-
Less: Current portion	77,472	-
	300,995	-

Principal repayments on long-term debt in each of the next five years, assuming long-term debt subject to refinancing is renewed are estimated as follows:

	Principal
2019	77,472
2020	78,917
2021	80,390
2022	81,890
2023	59,798
	378,467

Interest on long-term debt amounted to \$2,578.

Community Futures Development Corporation of Stuart Nechako

Notes to the Financial Statements

For the year ended March 31, 2018

8. Externally restricted funds

The restricted funds balance comprise:

	2018	2017
Net investment funds contributed by Western Economic Diversification		
Accumulated net earnings and losses of Business Loans Fund	484,811	422,748
Accumulated net earnings and losses of Disabled Entrepreneur Investment Program Fund	12,263	557
Repayable contribution	100,000	100,000
Accumulated net earnings and transfers on repayable contribution	141,258	141,258
	738,332	664,563
Community Business Loan Program		
Original contribution, repayable	250,000	250,000
Additional contribution, repayable	237,000	237,000
Accumulated net earnings (losses) and transfers	41,870	(39,706)
	528,870	447,294
	1,267,202	1,111,857

9. Interfund transfers

The General Fund received interest transfers of \$34,334 (2017 - \$41,113) from the repayable Community Business Loan Program Fund (2017 - Community Business Loan Program Fund and Business Loans Fund).

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

10. Economic dependence

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

Community Futures Development Corporation of Stuart Nechako

Notes to the Financial Statements

For the year ended March 31, 2018

11. 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% (2017: 0% to Integris Credit Union prime plus 6%).

Credit concentration

Financial instruments that potentially subject the Corporation to concentrations of credit risk consist of 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 \$2,931,385 (2017 - \$2,093,830).