

Mid Sask Community Futures Development Corporation
Annual Financial Statements
For the year ended March 31, 2014

AUDITOR'S REPORT

I have audited the statement of financial position of the Mid Sask Community Futures Development Corporation as at March 31, 2014 and the statement of operations, statement of change in fund balances, and statement of cash flows for the year then ended. These financial statements are the responsibility of the municipality's management. My responsibility is to express an opinion on these financial statements based on my audit.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with public sector accounting standards, and for such, internal controls 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

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

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on my judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, I consider 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 the accounting policies used and reasonableness of accounting estimates made by management, as well as, evaluating the overall financial statement presentation.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Mid Sask Community Futures Development Corporation as at March 31, 2014 and the results of its operations for the year then ended in accordance with public sector accounting standards.



Chartered Accountant

Central Butte, Saskatchewan
June 25, 2014

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

To Western Economic Diversification Canada,

I have audited Mid Sask Community Futures Development Corporation compliance as at March 31, 2014 with the criteria established in the Contribution Agreement between Western Economic Diversification Canada and the Community Futures Development Corporation, dated March 17, 2007, and the interpretation of the Agreement as set out in note 1 of the financial statements attached. Compliance with the criteria established by the provisions of the agreement is the responsibility of the Board of Directors of the Mid Sask Community Futures Development Corporation. My responsibility is to express an opinion on this compliance based on my audit.

I conducted my audit in accordance with Canadian auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether Mid Sask Community Futures Development Corporation complied with the criteria established by the provisions of the agreement referred to above. Such an audit includes examining, on a test basis, evidence supporting compliance, evaluating the overall compliance with the agreement, and where applicable, assessing the accounting principles used and significant estimates made by management.

In my opinion, Mid Sask Community Futures Development Corporation is in compliance, in all material respects, with the criteria established by the Contribution Agreement.

Central Butte, Saskatchewan
June 25, 2014


Chartered Accountant

Michelle Tucker, Chartered Accountant
Box 502
Central Butte, SK S0H 0T0

Mid Sask Community Futures Development Corporation

June 25, 2014

Re: Audit of Financial Statements for the period ending March 31, 2014

Dear Board.

The objective of my audit was to express an opinion on the financial statements. Included in my audit was the consideration of internal control relevant to the preparation and fair presentation of the financial statements. This consideration of internal control was for the purpose of designing audit procedures that were appropriate in the circumstances. It was not for the purpose of expressing an opinion on the effectiveness of internal control or for identifying all significant control deficiencies that might exist.

During the course of my audit I identified a number of strong internal controls that council has implemented. For example, expenses are reviewed by the board and cheques require dual signatures. These controls ensures that expenses are legitimate and in line with spending budgets. Great job! Overall, the audit went very smoothly. I am looking forward to working with you again next year.

Yours truly,

A handwritten signature in cursive script that reads "Michelle Tucker". The signature is written in black ink and has a long, sweeping tail that extends to the right.

Michelle Tucker, Chartered Accountant

Mid Sask Community Futures Development Corporation
Statement of Financial Position

| <u>As at March 31,</u> | | | | <u>2014</u> | <u>2013</u> | |
|--|--------------------|------------------|-----------------|-----------------|--------------------|--------------------|
| | Restricted Funds | | | General | | |
| | Regular | Disabled | SBL | Funds | Total | Total |
| Assets | | | | | | |
| Cash | 330,091 | 10,849 | 1,682 | 31,511 | 374,133 | 376,697 |
| Short Term Investments | - | 46,334 | - | - | 46,334 | 46,288 |
| Accounts Receivable | - | - | - | 14,236 | 14,236 | 3,794 |
| Accounts Receivable - WD | - | - | - | 0 | 0 | 7,415 |
| GST Receivable | - | - | - | 3,984 | 3,984 | 4,277 |
| Current Portion of Investment Funds | 132,510 | 14,951 | 16,917 | - | 164,378 | 124,274 |
| Total Current Assets | 462,601 | 72,134 | 18,599 | 49,731 | 603,065 | 562,745 |
| Capital Assets (Note 3) | - | - | - | 20,409 | 20,409 | 25,560 |
| Investment Funds | | | | | | |
| Investment loans receivable (Note 6) | 736,252 | 52,229 | 69,632 | - | 858,113 | 740,618 |
| Less Allowance for Credit Loss (Note 4) | - | - | - | - | 0 | 44,933 |
| Net Investment loans receivable | 736,252 | 52,229 | 69,632 | - | 858,113 | 695,685 |
| Less Current Portion | 132,510 | 14,951 | 16,917 | - | 164,378 | 124,274 |
| Total Investments | 603,742 | 37,278 | 52,715 | 0 | 693,735 | 571,411 |
| Total Assets | \$1,066,343 | \$109,412 | \$71,314 | \$70,140 | \$1,317,209 | \$1,159,716 |
| Liabilities and Fund Balances | | | | | | |
| Current Liabilities | | | | | | |
| Accounts Payable | - | - | - | 11,121 | 11,121 | 3,550 |
| Inter-Fund Payable (Note 7) | - | - | - | - | - | - |
| Total Current | - | - | - | 11,121 | 11,121 | 3,550 |
| Investment Fund Repayable | 1,216,000 | 92,000 | 69,632 | - | 1,377,632 | 1,313,891 |
| Total Liabilities | 1,216,000 | 92,000 | 69,632 | 11,121 | 1,388,753 | 1,317,441 |
| Fund Balances | | | | | | |
| Invested in Capital Assets | - | - | - | 20,409 | 20,409 | 25,560 |
| Unrestricted | - | - | - | 38,610 | 38,610 | 40,752 |
| Externally Restricted (Note 5) | -149,657 | 17,412 | 1,682 | - | -130,563 | -224,037 |
| Total Fund Balances | -149,657 | 17,412 | 1,682 | 59,019 | -71,544 | -157,725 |
| Total Liabilities and Fund Balances | \$1,066,343 | \$109,412 | \$71,314 | \$70,140 | \$1,317,209 | \$1,159,716 |

Community Futures Development Corporation Inc.
Statement of Changes in Fund Balances

| <u>For the year ended March 31,</u> | | | | <u>2014</u> | <u>2013</u> | |
|--|-------------------|-----------------|----------------|-----------------|------------------|-------------------|
| | Restricted Funds | | | General | | |
| | Regular | Disabled | SBL | Funds | Total | Total |
| Balances, Beginning of year | -\$240,846 | \$16,351 | \$458 | \$66,312 | -\$157,725 | -\$226,691 |
| Add: Excess (deficiency) of revenue over expenses) | 91,052 | 1,049 | 1,224 | -7,293 | 86,032 | 68,966 |
| Add: Other Transfers & Adjustments | 137 | 12 | - | - | 149 | - |
| Prior Year Adjustment | - | - | - | - | - | 0 |
| Balances, End of year | -\$149,657 | \$17,412 | \$1,682 | \$59,019 | -\$71,544 | -\$157,725 |

Mid Sask Community Futures Development Corporation
Statement of Operations

For the year ended March 31, 2014 2013

| | Restricted Funds | | | General Funds | Total | Total |
|--|------------------|----------------|----------------|------------------|------------------|-------------------|
| | Regular | Disabled | SBI | | | |
| Revenue | | | | | | |
| Contribution from WD | - | - | - | 297,670 | 297,670 | 297,668 |
| Recovery of Bad Debt | 49,700 | - | - | 8,332 | 58,032 | 40,129 |
| Bank Interest | 1,540 | 1,140 | - | 3 | 2,683 | 2,563 |
| Loan Investment Income | 40,395 | - | 1,313 | - | 41,708 | 71,246 |
| Loan Application Fees | - | - | - | 3,450 | 3,450 | 5,000 |
| Other Income | - | - | - | 7,770 | 7,770 | 5,678 |
| Total Revenue | \$91,635 | \$1,140 | \$1,313 | \$317,225 | \$411,313 | \$422,284 |
| Expenses | | | | | | |
| Salaries and Benefits | - | - | - | 193,994 | 193,994 | 190,990 |
| <u>Professional Expenses:</u> | | | | | | |
| Audit and Legal | - | - | - | 6,468 | 6,468 | 10,165 |
| Credit Reports | - | - | - | 257 | 257 | 1,014 |
| Education and Training | - | - | - | 6,950 | 6,950 | 935 |
| <u>Administration:</u> | | | | | | |
| Advertising and Promotion | - | - | - | 3,216 | 3,216 | 5,092 |
| Bank Charges | 151 | 91 | 89 | 688 | 1,019 | 1,634 |
| Board Member Expenses | - | - | - | 4,254 | 4,254 | 6,110 |
| Memberships and Subscriptions | - | - | - | 1,294 | 1,294 | 285 |
| Computers Software and Support | - | - | - | 6,653 | 6,653 | 1,913 |
| Videoconferencing and Equipment | - | - | - | 2,950 | 2,950 | 2,625 |
| Insurance | - | - | - | 2,134 | 2,134 | 2,109 |
| Maintenance and Repairs | - | - | - | 2,849 | 2,849 | 4,620 |
| Miscellaneous | 432 | - | - | 2,084 | 2,516 | 3,332 |
| LTD Project Expense | - | - | - | 15,104 | 15,104 | - |
| Other Project Expense | - | - | - | 4,177 | 4,177 | - |
| Non-refundable GST | - | - | - | 1,951 | 1,951 | 2,018 |
| Rent | - | - | - | 13,706 | 13,706 | 15,506 |
| Supplies | - | - | - | 1,871 | 1,871 | 2,627 |
| Photocopying and Printing | - | - | - | 14,319 | 14,319 | 8,755 |
| Seminars and Conferences | - | - | - | 985 | 985 | 555 |
| Halifax Conference | - | - | - | 0 | 0 | 16,097 |
| Postage and Courier | - | - | - | 2,214 | 2,214 | 1,540 |
| Travel | - | - | - | 15,091 | 15,091 | 5,671 |
| Telephone | - | - | - | 7,840 | 7,840 | 10,333 |
| Utilities | - | - | - | 4,974 | 4,974 | 4,704 |
| Total Expenses | \$583 | \$91 | \$89 | \$316,023 | \$316,786 | \$298,630 |
| Excess (Deficiency) of Revenue over cash Expenses | \$91,052 | \$1,049 | \$1,224 | \$1,202 | \$94,527 | \$30,468 |
| Amortization | - | - | - | 8,495 | 8,495 | 10,168 |
| Provision for Bad Debt | - | - | - | - | 0 | 179,952 |
| Bad Debt | - | - | - | - | - | 3,240 |
| Excess (Deficiency) of Revenues over Total Expenses | \$91,052 | \$1,049 | \$1,224 | -\$7,293 | \$86,032 | -\$162,892 |

Mid Sask Community Futures Development Corporation
Statement of Cash Flows

| | Restricted Funds (Investing) | | | General Funds (Operating) | Total | Total |
|-------------------------------------|------------------------------|-----------------|----------------|------------------------------|------------------|------------------|
| | Regular | Disabled | SBL | | | |
| For the year ended March 31, | | | | | | |
| | | | | | 2014 | 2013 |
| Sources of Cash | | | | | | |
| WD Contribution | - | - | - | 297,670 | 297,670 | 309,179 |
| Investment Income | 1,540 | 1,106 | 1,313 | 3 | 3,962 | 2,561 |
| Investment Loan | 40,395 | - | - | - | 40,395 | 71,201 |
| Repayments | 243,247 | 2,771 | - | 8,332 | 254,350 | 334,478 |
| Other | 49,700 | - | - | 15,358 | 65,058 | 43,325 |
| Total Sources | 334,882 | 3,877 | 1,313 | 321,363 | 661,435 | 760,269 |
| Uses of Cash | | | | | | |
| Salaries & Benefits | - | - | - | 193,994 | 193,994 | 190,990 |
| Materials & Services | 151 | 91 | 89 | 122,029 | 122,360 | 107,180 |
| Purchase of Capital | - | - | - | 2,645 | 2,645 | 8,100 |
| Investment Loans | 290,000 | 55,000 | - | - | 345,000 | 280,092 |
| Total Uses | 290,151 | 55,091 | 89 | 318,668 | 663,999 | 586,362 |
| Net Increase in cash | 44,731 | -51,214 | 1,224 | 2,695 | -2,564 | 173,907 |
| Cash, Beginning of Year | 285,360 | 62,063 | 458 | 28,816 | 376,697 | 202,790 |
| Cash, End of Year | \$330,091 | \$10,849 | \$1,682 | \$31,511 | \$374,133 | \$376,697 |

Approved by:

Per: 

Per: 

Title:

MANAGER - MID SASK CFDC

Title:

Chair - Midsask CFDC

Mid Sask Community Futures Development Corporation
Notes to the Financial Statements
March 31, 2014

1. PURPOSE OF THE ORGANIZATION

Mid Sask Community Futures Development Corporation is a community based organization that provides loans and financial services to small businesses that are otherwise unable to obtain financing. The corporation is incorporated as a non-profit organization under the "Non-Profit Corporations Act, 1995". It is exempt from income taxes under the Income Tax Act as a non-profit organization.

2. SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

Mid Sask Community Futures Development Corporation follows the restricted method of accounting for contributions.

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

The restricted funds accounts are for resources restricted for loans to small businesses, with the disability fund restricted to loans for persons with disabilities.

Accrual Accounting

Assets, liabilities, income and expense are recorded in the accounts using the accrual basis of accounting.

Cash and Cash Equivalents

Cash is defined as cash on hand, cash on deposit, and short term deposits with maturity dates of less than 90 days, net of cheques issued and outstanding at the reporting date.

Revenue Recognition

Revenue is earned when services have been rendered to the client or when interest on loans is received, not accrued. Funding is recorded when reasonably assured it will be received.

3. CAPITAL ASSETS

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is provided on a declining basis over the assets' estimated useful lives, which varies from 20 – 30%. Amortization expense is reported in the General Fund.

| 2014 | Cost | Accumulated Amortization | Net Book Value | Rate |
|-------------------------------|----------------|--------------------------|----------------|------|
| Office Furniture and Fixtures | 56,521 | 51,291 | 5,230 | 20% |
| Computer Hardware | 130,077 | 122,600 | 7,477 | 30% |
| Computer Software | 60,867 | 53,263 | 7,604 | 30% |
| Leasehold Improvements | 3,804 | 3,706 | 98 | 20% |
| | <u>251,270</u> | <u>230,860</u> | <u>20,410</u> | |

| 2013 | Cost | Accumulated Amortization | Net Book Value | Rate |
|-------------------------------|----------------|--------------------------|----------------|------|
| Office Furniture and Fixtures | 56,521 | 49,984 | 6,537 | 20% |
| Computer Hardware | 127,432 | 119,395 | 8,037 | 30% |
| Computer Software | 60,867 | 50,004 | 10,863 | 30% |
| Leasehold Improvements | 3,804 | 3,681 | 123 | 20% |
| | <u>248,624</u> | <u>223,087</u> | <u>25,560</u> | |

4. ALLOWANCE FOR CREDIT LOSS

An allowance for losses on loans is made based on expected loan default rates, potential loss ratios and review of loans portfolio, as determined by management, as follows:

| | Total Loans Outstanding | Provision | 2014 (Net) | 2013 (Net) |
|----------------------|-------------------------|-----------|----------------|----------------|
| Repayable Loan Fund | 736,252 | 0 | 736,252 | 689,794 |
| Disability Loan Fund | 52,229 | 0 | 52,229 | 0 |
| SBL Loan Fund | 69,632 | 0 | 69,632 | 5,891 |
| Total | <u>858,113</u> | <u>0</u> | <u>858,113</u> | <u>695,685</u> |

5. EXTERNALLY RESTRICTED NET ASSETS

Major categories of externally imposed restrictions on net assets are as follows:

Restricted Funds:

| | 2014 Ending Cash & Equivalents Balance | 2013 Ending Cash & Equivalents Balance |
|----------------------|---|---|
| Repayable Loan Fund | \$330,091 | \$285,360 |
| Disability Loan Fund | 57,183 | 108,351 |
| SBL Loan Fund | 1,682 | 458 |
| Total | \$388,956 | \$394,169 |

6. LOANS RECEIVABLE

Outstanding loans to entrepreneurs are interest bearing at fixed rates varying from prime plus 5%, with monthly blended principal and interest repayments amortized for terms between 5 and 10 years. Security is taken on these loans as appropriate to the situation and includes personal guarantees, general security agreements covering business assets, and mortgages on land and building.

7. INTERFUND TRANSFERS

During the year, there were no inter-fund transfers. Any inter-fund transfers are to be approved by Western Economic Diversification Canada.

8. FINANCIAL INSTRUMENTS

The corporation's financial assets and liabilities at March 31, 2014 include all current assets, investment loans receivable, accrued liabilities, and long term liabilities. Due to the short term nature of the items, carrying amounts are considered to approximate fair value.

Financial instruments are initially recorded at historical cost. If subsequent circumstances indicate that a decline in the fair value of a financial asset is other than temporary, the financial asset is written down to its fair value. Unless otherwise indicated, the fair value of financial instruments approximate their recorded amounts.

9. LEASE COMMITMENTS

The organization has leased office space and a photocopier with the following minimum lease payments:

| | Office Space | Postage Meter | Printer & Photocopier |
|------|--------------|---------------|-----------------------|
| 2015 | 13,106 | 835 | 6,888 |
| 2016 | 13,106 | 835 | 6,888 |
| 2017 | 13,106 | 626 | 6,888 |
| 2018 | 13,106 | 0 | 6,888 |
| 2019 | 13,106 | 0 | 5,166 |

10. ECONOMIC DEPENDENCE

The corporation receives 75% of its operating revenues from the federal government and is economically dependent upon it.

11. RELATED PARTY TRANSACTIONS

WaterWolf Planning Inc. is a related party with Mid Sask Community Futures Development Corporation as they share some of the same board members, as well as, management. There were not any transactions between the companies in 2014 as there had been in 2013.

12. FINANCIAL RISKS AND CONCENTRATION OF RISK

(a) Credit Risk – Credit Risk refers to the risk that a counterparty may default on its contractual obligations resulting in financial loss. The accounts receivable and loans receivable are due from clients and there could be bad debts or lost security. There has not been a change to the risk exposures since 2013.

(b) Liquidity Risk – Liquidity Risk is the risk that the company will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The company's exposure to liquidity risk is dependent on fees paid by members in a timely manner. There has not been a change to the risk exposure since 2013.

(c) Interest Rate Risk – Clients are charged a fixed interest rate throughout the term of their loan. If interest rates go down, they could see a decline in clients who seek financial aid elsewhere.