

COMMUNITY FUTURES SOUTHWEST INC.

FINANCIAL STATEMENTS

MARCH 31, 2017


COMMUNITY FUTURES SOUTHWEST INC.

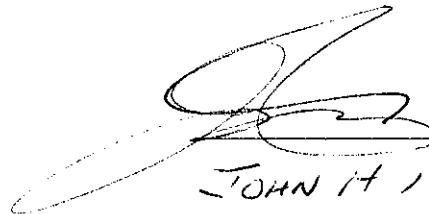
STATEMENT OF FINANCIAL POSITION
As at March 31, 2017

Statement 1

	Loan Investment Funds				Total <u>2017</u>	Total <u>2016</u>
	General Fund	Repayable	Non Repayable	Disabled		
ASSETS						
Current assets						
Cash in bank	\$ 9,816	53,323	343,420	33,617	440,176	\$ 292,106
Temporary investments (Note 3)	-	44,958	149,607	100,401	294,966	403,995
Accounts receivable	115	1,052	1,824	133	3,124	5,709
Accrued loan interest receivable	-	45,353	129,788	2,922	178,063	142,598
Prepaid expenses	8,042	-	-	-	8,042	-
Loans receivable - current portion	-	<u>135,247</u>	<u>762,649</u>	<u>10,240</u>	<u>908,136</u>	<u>1,032,609</u>
	<u>17,973</u>	<u>279,933</u>	<u>1,387,288</u>	<u>147,313</u>	<u>1,832,507</u>	<u>1,877,017</u>
Other Assets						
Co-operative equity	356	-	-	-	356	356
Investments (Note 4)	-	-	198,000	-	198,000	348,000
Loans receivable (Note 5)	-	684,396	1,462,131	94,800	2,241,327	2,126,030
Less current portion	-	<u>(135,247)</u>	<u>(762,649)</u>	<u>(10,240)</u>	<u>(908,136)</u>	<u>(1,032,609)</u>
	<u>356</u>	<u>549,149</u>	<u>897,482</u>	<u>84,560</u>	<u>1,531,547</u>	<u>1,441,777</u>
Total assets	<u>\$ 18,329</u>	<u>829,082</u>	<u>2,284,770</u>	<u>231,873</u>	<u>3,364,054</u>	<u>\$ 3,318,794</u>
LIABILITIES & FUND BALANCES						
Current liabilities						
Accounts payable	\$ 6,336	1,052	-	152	7,540	\$ 12,853
Deferred revenue (Note 6)	<u>24,806</u>	-	-	-	<u>24,806</u>	<u>24,806</u>
	31,142	1,052	-	152	32,346	37,659
Long term debt (Note 7)	-	400,000	-	200,000	600,000	600,000
Fund balances	<u>(12,814)</u>	<u>428,030</u>	<u>2,284,770</u>	<u>31,721</u>	<u>2,731,707</u>	<u>2,681,134</u>
Total liabilities & fund balances	<u>\$ 18,328</u>	<u>829,082</u>	<u>2,284,770</u>	<u>231,873</u>	<u>3,364,053</u>	<u>\$ 3,318,793</u>

Approved on behalf of the Board


Director
DAN MARTENS


General Manager
Director
JOHN H. PARKER

COMMUNITY FUTURES SOUTHWEST INC.

STATEMENT OF OPERATIONS AND CHANGES IN GENERAL FUND BALANCES
For the year ended March 31, 2017

Statement 2

	General Fund		
	<u>2017</u>	<u>2017</u>	<u>2016</u>
	<u>Budget</u>	<u>Actual</u>	<u>Total</u>
	(Unaudited)		
REVENUE			
Western Economic Diversification funding	\$ 297,669	297,669	\$ 297,669
Other	21,167	1,075	2,190
Program income	7,000	1,225	2,363
Interest	<u>500</u>	<u>227</u>	<u>314</u>
	326,336	300,196	302,536
EXPENSES			
Administration			
Advertising and promotion	2,400	3,482	5,229
Client training	-	-	318
Conference	22,214	6,789	8,050
Contract services	4,056	4,596	4,277
Contract services CF South Central	24,000	24,503	25,238
Insurance and pension costs	27,176	23,638	24,256
Interest and bank charges	60	340	1,810
Maintenance and software support	804	3,318	9,336
Non-refundable GST	-	1,076	1,009
Project expenses	18,770	27,549	28,515
Office supplies and equipment	5,880	9,509	7,023
Rent	9,600	8,745	8,220
Telephone	6,852	9,026	9,119
Travel	21,529	19,103	27,646
Professional fees	11,400	11,705	12,835
Salaries and benefits	<u>171,595</u>	<u>176,729</u>	<u>172,676</u>
	<u>326,336</u>	<u>330,108</u>	<u>345,557</u>
(Deficiency) excess of revenues over expenses	-	(29,912)	(43,021)
Fund balance, beginning of the year, General Fund	(12,338)	(12,338)	(7,248)
Interfund transfers - Note 10	<u>-</u>	<u>29,436</u>	<u>37,931</u>
Fund balance, end of the year	\$ <u>(12,338)</u>	<u>(12,814)</u>	\$ <u>(12,338)</u>

COMMUNITY FUTURES SOUTHWEST INC.

STATEMENT OF OPERATIONS AND CHANGES IN RESTRICTED FUND BALANCES
As at March 31, 2017

Statement 3

	Loan Investment Funds			Restricted Funds	
	<u>Repayable</u>	Non <u>Repayable</u>	<u>Disabled</u>	<u>Total 2017</u>	<u>Total 2016</u>
Revenue					
Interest	\$ 47,248	122,868	8,630	178,746	\$ 155,619
(Loss) gain on investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,296)</u>
	<u>47,248</u>	<u>122,868</u>	<u>8,630</u>	<u>178,746</u>	<u>153,323</u>
Expenses					
Bad debt expense (recovery)	-	91,556	5,909	97,465	(1,705)
Professional fees and other	<u>(6)</u>	<u>797</u>	<u>5</u>	<u>796</u>	<u>5,506</u>
	<u>(6)</u>	<u>92,353</u>	<u>5,914</u>	<u>98,261</u>	<u>3,801</u>
Excess of revenue over expenses	47,254	30,515	2,716	80,485	149,522
Fund balances, beginning of the year	386,855	2,280,706	25,911	2,693,472	2,581,881
Interfund transfers - Note 10	<u>(6,079)</u>	<u>(26,451)</u>	<u>3,094</u>	<u>(29,436)</u>	<u>(37,931)</u>
Fund balances, end of the year	<u>\$ 428,030</u>	<u>2,284,770</u>	<u>31,721</u>	<u>2,744,521</u>	<u>\$ 2,693,472</u>

COMMUNITY FUTURES SOUTHWEST INC.

STATEMENT OF CASH FLOWS
As at March 31, 2017

Statement 4

	<u>General</u>	<u>Repayable</u>	<u>Non</u> <u>Repayable</u>	<u>Disabled</u>	<u>Total</u> <u>2017</u>	<u>Total</u> <u>2016</u>
Cash provided by operations						
Excess (deficiency) of revenues						
over expenses	\$ (29,912)	47,254	30,515	2,716	50,573	\$ 106,503
Net change in current assets	(8,042)	(24,286)	(6,378)	(2,216)	(40,922)	(39,808)
Net change in current liabilities	(484)	-	(4,827)	-	(5,311)	25,843
Loan loss provision not affecting cash	<u>-</u>	<u>-</u>	<u>91,556</u>	<u>5,909</u>	<u>97,465</u>	<u>(1,705)</u>
	<u>(38,438)</u>	<u>22,968</u>	<u>110,866</u>	<u>6,409</u>	<u>101,805</u>	<u>90,833</u>
Cash provided by investment activities						
Loans advanced	-	(302,924)	(353,552)	(94,800)	(751,276)	(697,360)
Loans repaid	-	178,298	360,216	-	538,514	359,563
Disposal (purchase) of investments	<u>-</u>	<u>(264)</u>	<u>149,123</u>	<u>110,168</u>	<u>259,027</u>	<u>241,258</u>
	<u>-</u>	<u>(124,890)</u>	<u>155,787</u>	<u>15,368</u>	<u>46,265</u>	<u>(96,539)</u>
Cash provided by financing activities						
Interfund transfers (Note 10)	<u>29,436</u>	<u>(6,079)</u>	<u>(26,451)</u>	<u>3,094</u>	<u>-</u>	<u>-</u>
	<u>29,436</u>	<u>(6,079)</u>	<u>(26,451)</u>	<u>3,094</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash	(9,002)	(108,001)	240,202	24,871	148,070	(5,706)
Cash, beginning of the year	<u>18,818</u>	<u>161,324</u>	<u>103,218</u>	<u>8,746</u>	<u>292,106</u>	<u>297,811</u>
Cash, end of the year	<u>\$ 9,816</u>	<u>53,323</u>	<u>343,420</u>	<u>33,617</u>	<u>440,176</u>	<u>\$ 292,105</u>

COMMUNITY FUTURES SOUTHWEST INC.

NOTES TO FINANCIAL STATEMENTS

As at March 31, 2017

1. Purpose

The Community Futures Southwest Inc. 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 and is exempt from income taxes under the Income Tax Act.

2. Significant Accounting Policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

a) Fund Accounting

The accounts of the organization are maintained in accordance with the principles of fund accounting. For financial reporting purposes, accounts with similar characteristics have been combined into the following major funds:

i) Operating fund

The operating fund reflects the primary operations of the organization including revenues received and operating costs.

ii) Loan investment funds

The funds report restricted resources to be used for assistance to small businesses and entrepreneurs in the form of loans, loan guarantees or equity participation. Loans from the Loan Investment Fund for the Disabled are limited to businesses owned and operated by disabled entrepreneurs. The organization is restricted in the types of loans it can issue according to its agreement with the federal government.

b) Revenue

The organization follows the restricted fund method of accounting for contributions. Unrestricted fees, funds from the Western Economic Diversification Canada for capital purposes and for general operations are recorded as revenue in general fund in the year received or receivable. Interests from temporary investments and loan advance are recorded as revenue in appropriate fund in the year when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

c) Temporary Investments

Temporary investments are valued at fair market value.

d) Capital Assets

Purchased capital assets are charged against current year income. Upon dissolution of the organization, all property is to be distributed to other Community Futures Development Corporations or other non-profit organizations approved by the Western Economic Diversification Canada.

e) Measurement Uncertainty

The preparation of the financial statements in accordance with Canadian generally accepted accounting principles 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 revenues and expenses during the period then ended. Actual results could differ from those estimates. Significant areas requiring the use of management estimates relate to the determination of the collectible amount of accounts receivable and loan receivables.

COMMUNITY FUTURES SOUTHWEST INC.

NOTES TO FINANCIAL STATEMENTS

As at March 31, 2017

2. Significant Accounting Policies (Continued)

f) Financial Instruments

The organization initially measures its financial assets and liabilities at fair value. The organization subsequently measures all its temporary investments at fair value, its loan advance receivable at amortized cost and other trade receivables and payables at cost.

3. Temporary Investment

Temporary investments include the funds invested in money market funds.

	<u>2017</u>	<u>2016</u>
Money market funds	294,966	403,995
Bonds	-	-
Marketable securities	-	-
	<u>\$ 294,966</u>	<u>\$ 403,995</u>

4. Investments

	<u>2017</u>	<u>2016</u>
Investments - preferred shares	<u>\$ 198,000</u>	<u>\$ 348,000</u>

Advances were also provided to the Great Sandhills Railway Ltd. - \$150,000 and Blue Goose Biorefineries Ltd. - \$48,000 for which preferred shares were issued to the organization. These shares are redeemable on demand or may be converted to an Investment Loan.

5. Loan Receivable

Advances from the investment funds represent the outstanding principal on advances to new or expanding businesses under the Investment Fund Agreement with Western Economic Diversification. The notes bear interest at prime plus 3% to prime plus 6%. Security can take the form of personal guarantees, personal property security agreements, chattels, a combination of both or the issuance of preferred shares.

An allowance for losses on investment loans is made by management based on a review of the loan portfolio, allowing for any realization of the related security provided. The allowance is comprised of the following:

	<u>Gross Amount</u>	<u>Allowance Doubtful Loans</u>	<u>2017 Carrying Value</u>	<u>2016 Carrying Value</u>
Loan Investment Fund - Repayable	<u>\$ 684,396</u>	<u>-</u>	<u>684,396</u>	<u>\$ 559,769</u>
Loan Investment Fund - Non Repayable	<u>1,514,788</u>	<u>52,657</u>	<u>1,462,131</u>	<u>1,560,352</u>
Loan Investments Fund - Disabled	<u>100,709</u>	<u>5,909</u>	<u>94,800</u>	<u>5,909</u>
	<u>\$2,299,893</u>	<u>58,566</u>	<u>2,241,327</u>	<u>\$2,126,030</u>

6. Deferred Revenue

The organization has deferred revenue of \$24,806 from Western Economic Diversification which was received in the current fiscal year that relates to the next fiscal year.

COMMUNITY FUTURES SOUTHWEST INC.

NOTES TO FINANCIAL STATEMENTS

As at March 31, 2017

7. Long-Term Debt

The loans from Western Economic Diversification are due as follows:

	Small Business Enterprise	Repayable	Disabled	Total 2017	Total 2016
Due to W.E.D.	\$ <u>-</u>	<u>400,000</u>	<u>200,000</u>	<u>600,000</u>	\$ <u>600,000</u>

The cash balances of the loan investment funds will be payable to Western Economic Diversification at April 1, 2018. Principle repayments of investment loans receivable after March 31, 2018 will be forwarded to Western Economic Diversification. The loans bear no interest.

When the loans are collected, any remaining assets of the repayable investment fund may be retained by Community Future Southwest Inc. at the discretion of the Minister.

8. Financial Instruments

The organization is exposed to various risks through its financial instruments. The following comments help describe the nature of these risks as of March 31, 2017:

Credit Risk

The organization's loans are to new and existing small businesses, unable to obtain financing through other means, which results in a concentration of credit risk.

Interest Rate risk

The organization is exposed to interest rate risk related to interest expends on any amounts drawn on it's floating rate debt facilities.

Market risk

The organization's temporary investments in publicly traded securities expose the organization to market risk as such investments are subject to price changes in the open market. The company does not use derivative financial instruments to alter the effects of this risk.

9. Economic Dependence

The organization received 99% of its funding from the federal government on which it is economically dependent. As a result, the organization is dependant upon the continuance of these funds to maintain operations at their current levels.

10. Interfund Transfers

The Board approved the transfer of funds between Repayable, Non-Repayable, the Small Business Loan Fund and General Fund during the current year in the amount of \$29,436 (2016 - \$37,931).

11. Lease Commitment

The organization has entered into a long-term lease agreement with Sunrose Enterprises Ltd. to lease an office space for a monthly lease payment of \$750 plus GST. The lease is a 3 year lease with an option to renew. The lease expires in June, 2019.