

COMMUNITY FUTURES
SOUTHWESTINC.FINANCIALSTATEMENT
S
MARCH31,2015

INDEPENDENT AUDITOR'S REPORT

To the Directors of Community Futures Southwest Inc.:

We have audited the accompanying financial statements of Community Futures Southwest Inc., which comprise the statement of financial position as at March 31, 2015, and the statement of operations and 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 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 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 auditor's judgment, including the assessment of the risk 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 company'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 company'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 Southwest Inc. as at March 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

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Chartered
Accountants, LLP Chartered
Professional Accountants Licensed
Professional Accountants

Swift Current, Saskatchewan
June 11, 2015

starkmarsh.com

COMMUNITY FUTURES SOUTHWEST INC.

STATEMENT OF FINANCIAL POSITION
As at March 31, 2015

Statement 1

	Loan Investment Funds					Total 2.QU	Total <u>2014</u>
	General Fund	Repayable	Non Repayable	Disabled	Small Business Enterprise		
ASSETS							
Current assets							
Cash in bank	\$ (8,545)	143,125	154,497	8,671	63	297,811	\$ 223,274
Temporary investments		311,939	147,908	209,405		669,252	836,417
(Note 3) Accounts receivable	114	1,172	5,363	123		6,772	5,040
Accrued loan interest and charges receivable		14,232	80,961	216		95,409	58,451
Prepaid expenses	6,315					6,315	56
Current portion of investment loans receivable		<u>40,704</u>	<u>695,961</u>	<u>3,928</u>		<u>740,593</u>	<u>479,418</u>
	<u>(2,116)</u>	<u>511,172</u>	<u>1,084,690</u>	<u>222,343</u>	<u>63</u>	<u>1,816,152</u>	<u>1,802,656</u>
Other Assets							
Co-operative equity	356					356	356
Investments (Note 4)			324,000			324,000	324,000
Investment loans receivable, net of allowance for credit loss (Note 4)		294,674	1,485,947	5,909		1,786,530	1,676,931
Less current portion		<u>(40,704)</u>	<u>(695,961)</u>	<u>(3,928)</u>		<u>(740,593)</u>	<u>(429,418)</u>
	356	<u>253,910</u>	<u>13,986</u>	<u>1,981</u>		<u>1,370,293</u>	<u>1,521,869</u>
Total assets	\$ <u>(1,760)</u>	<u>765,142</u>	<u>2,198,676</u>	<u>224,324</u>	<u>63</u>	<u>3,186,445</u>	<u>\$3,124,525</u>
LIABILITIES & FUND BALANCES							
Current liabilities							
Accounts payable	\$ 5,529	1,173	4,947	142	21	11,812	\$ 4,614
Deferred revenue							<u>24,806</u>
	5,529	<u>1,173</u>	<u>4,947</u>	<u>142</u>	<u>21</u>	<u>11,812</u>	<u>29,420</u>
Investment loans payable (Note 5)		400,000		200,000		600,000	600,000
Fund balances	<u>(7,289)</u>	<u>363,969</u>	<u>2,193,729</u>	<u>24,182</u>	<u>42</u>	<u>2,524,633</u>	<u>2,495,105</u>
Total liabilities & fund balances	\$ <u>(1,760)</u>	<u>765,142</u>	<u>2,128,876</u>	<u>224,324</u>	<u>3</u>	<u>3,118,614</u>	<u>\$3,124,525</u>

Approved on behalf of the Board

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Director


Director

COMMUNITY KUTURES SOUTHWEST INC.

STATEMENT OF OPERATIONS AND CHANGES IN GENERAL FUND BALANCES
For the year ended March 31, 2015

Statement 2

	General Fund		
	2Q Li <u>Budget</u>	2Q II <u>Actual</u>	2. Q II <u>Total</u>
REVENUE			
Western Economic Diversification funding	\$297,669	297,669	\$ 297,669
Program income	7,000	3,950	3,183
Other	13,200	3,684	2,069
Interest	<u>SQO</u>	<u>228</u>	<u>477</u>
	318,369	305,531	303,398
EXPENSES			
Administration			
Advertising and promotion	10,200	10,956	8,555
Bad debts			285
Conference and projects	48,458	49,254	43,186
Contract services	3,756	4,627	9,002
Insurance and pension costs	33,004	23,434	21,762
Interest and bank charges	60	112	775
Maintenance and repairs	804	3,696	2,006
Non-refundable GST		1,757	1,163
Office supplies and equipment	5,880	8,879	5,218
Rent	8,424	8,220	8,220
Telephone	16,302	17,555	18,238
Travel	21,387	19,900	24,155
Professional fees	9,600	9,826	9,999
Strategic Planning		7,619	
Salaries and benefits	<u>160,494</u>	<u>161,670</u>	<u>151,185</u>
	318,369	<u>nz.205</u>	303,752
Excess (deficiency) of revenues over expenses		(21,974)	(354)
Fund balance, beginning of the year, General Fund	1,077	1,077	1,617
Interfund transfers - Note 9	<u> </u>	<u>13,608</u>	<u>(186)</u>
Fund balance, end of the year	<u>\$ 1,077</u>	<u>2,827</u>	<u>\$ 1,077</u>

COMMUNITYFUTURESSOUTHWESTINC.

STATEMENTOFOPERATIONSANDCHANGESINRESTRICTEDFUNDBALANCES
AsatMarch31,2015

Statement3

	Loan InvestmentFunds				RestrictedFunds	
	<u>Repayable</u>	Non Repayable	Disabled	Small Business Enterprise	Total <u>2015</u>	Total <u>2014</u>
Revenue						
Interest	\$ 24,404	112,020	1,990	93	138,507	\$ 132,096
Gain (loss) on investments	<u>19,428</u>	<u> </u>	<u> </u>	<u> </u>	<u>19,428</u>	<u>1,848</u>
	<u>43,832</u>	<u>112,020</u>	<u>1,990</u>	<u>93</u>	<u>157,935</u>	<u>133,944</u>
Expenses						
Baddebtexpense(recovery)		47,302			47,302	29,319
Professional fees andother	<u>6094</u>	<u>2,584</u>	<u>453</u>	<u> </u>	<u>9,131</u>	8,058
	<u>6094</u>	<u>49,886</u>	<u>453</u>	<u> </u>	<u>56,433</u>	<u>37,377</u>
Excess (deficiency) of revenue over expenses	37,738	62,134	1,537	93	101,502	96,567
Fund balances, beginning of theyear	326,231	2,136,703	22,645	8,449	2,494,028	2,397,275
Interfund transfers - Note9	<u> </u>	<u>(5,108)</u>	<u> </u>	<u>(8,500)</u>	<u>03,608</u>	<u>186</u>
Fund balances,end of theyear	\$ <u>3631969</u>	<u>2112,72</u>	<u>4,182</u>	<u>4</u>	<u>•• 81,928</u>	<u>1494,028</u>

COMMUNITY FUTURE SOUTH WEST INC.
STATEMENT OF CASH FLOWS
As at March 31, 2015

Statement 4

	General	Total Fund <u>2014</u>	Non <u>Rel2aJ'.able</u>	<u>Rel2aJ'.able</u>	Small Business <u>Disabled</u>	Total <u>Entemrise</u>	<u>2015</u>
Cash provided by operations Excess (deficiency) of revenues	-						
over expenses	\$(21,974)	37,738	62,134	1,537	93	79,528	\$96,213
Net change in current assets	(6,257)	(11,310)	(27,078)	(281)		(44,926)	(21,664)
Net change in current liabilities Loan loss provision not affecting cash	(19,278)	986	523	136		(17,633)	(12,735)
	<u> </u>	<u> </u>	<u>47,302</u>	<u> </u>	<u> </u>	<u>47,302</u>	<u>29,319</u>
	<u>(47,509)</u>	<u>27,414</u>	<u>82,881</u>	<u>1,392</u>	<u>93</u>	<u>64,271</u>	<u>91,133</u>
Cash provided by investment activities							
Loans advanced		(144,673)	(295,689)			(440,362)	(1,025,030)
Loans repaid			281,986	1,476		283,462	454,697
Disposal (purchase) of investments	<u> </u>	<u>170,222</u>	<u>(1,265)</u>	<u>(1,791)</u>	<u> </u>	<u>167,166</u>	<u>241,767</u>
	<u> </u>	<u>25,549</u>	<u>(14,968)</u>	<u>1315</u>	<u> </u>	<u>10,266</u>	<u>(328,566)</u>
Cash provided by financing activities							
Interfund transfers (Note 9)	8,500				(8,500)		
	<u>5,108</u>	<u> </u>	<u>(5,108)</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Interfund transfers - net	<u>13,608</u>	<u> </u>	<u>(5,108)</u>	<u> </u>	<u>(8,500)</u>	<u> </u>	<u> </u>
Net increase (decrease) in cash	(33,901)	52,963	62,805	1,077	(8,407)	74,537	(237,433)
Cash, beginning of the year	25,356	90,162	91,692	7,594	8,470	223,274	441,632
Prior year adjustment	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>19,075</u>
Cash, adjusted beginning	<u>25,356</u>	<u>90,162</u>	<u>91,692</u>	<u>7,594</u>	<u>8,470</u>	<u>223,274</u>	<u>460,707</u>
Cash, end of the year	\$ (8,545)	141,125	154,497	8,671	63	297,811	\$223,1274

COMMUNITY FUTURE SOUTHWEST INC.

NOTES TO FINANCIAL STATEMENTS
As at March 31, 2015

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, 2015

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 bonds, money market funds and publicly traded securities.

	<u>2015</u>	<u>2014</u>
Money market funds	401,760	398,324
Bonds	174,820	289,497
Marketable securities	<u>92,672</u>	<u>148,596</u>
	<u>\$ 669,252</u>	<u>\$ 836,417</u>

4. Investment 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 5%. 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>2015 Carrying Value</u>	<u>2014 Carrying Value</u>
Loan Investment Fund - Repayable	\$ 311,674	20,000	\$ 224,174	\$
Loan Investment Fund - Non Repayable	\$ 1,153,349	471,302	\$ 1,148,547	\$ 1,167,631
Investments - preferred shares	<u>\$ 324,000</u>		<u>\$ 324,000</u>	<u>\$ 324,000</u>

Advances were also provided to the Great Sand Hill Railway - \$150,000, Prairie Berries Inc. - \$150,000 and Blue Goose Energy - \$24,000 for which preferred shares were issued to the organization. These shares are redeemable on demand or may be converted to an Investment Loan.

5. Long-Term Debt

The loans from Western Economic Diversification are due as follows:

	Small Businesses			Total	Total
	<u>Enterprise</u>	<u>Repayable</u>	<u>Disabled</u>		<u>2015</u>
Due to W.E.D.	\$ =	\$ <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, 2016. Principle repayments of investment loans receivable after March 31, 2016 will be forwarded to Western Economic Diversification.

COMMUNITY FUTURES SOUTHWEST INC.

NOTES TO FINANCIAL STATEMENTS
As at March 31, 2015

5. Long-Term Debt (Continued)

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.

6. 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, 2015:

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 expense on any amounts drawn on its 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.

7. 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.

8. 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 \$668.31 plus GST.

9. 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 (\$13,608) (2014-\$186).