Ventures Community Futures Development Corporation

FINANCIAL STATEMENTS

Year Ended March 31, 2018

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Independent Auditors' Report

To the Board of Directors
Ventures Community Futures Development Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of Ventures Community Futures Development Corporation, which comprise the Statement of Financial Position as at March 31, 2018, and the Statements of Operations, Changes in Net Assets 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 Ventures Community Futures Development Corporation as at March 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Collins Barrow PQ LLP

Collins Barrow PQ LLP

Yorkton, SK
June 19, 2018

Ventures Community Futures Development Corporation

Yorkton, Saskatchewan

Statement of Financial Position as at March 31, 2018

	Operating Fund	Investment Fund	Disabled Entrepreneur Investment Fund	2018 Total	2017 Total
Assets					
Current Assets					
Cash and cash equivalents	238,799	514,763	62,786	816,348	915,627
Accounts receivable - note 4	4,515	15,526		20,041	1,431
Accrued interest receivable		20,228	1,260	21,488	7,634
Inventories	4,764			4,764	5,171
Current portion of loans receivable		183,700	123,100	306,800	309,700
Prepaid expenses	4,096			4,096	4,564
Foreclosed assets - note 5		68,536		68,536	
	252,174	802,753	187,146	1,242,073	1,244,127
Long-Term Investments					
Loans receivable - note 6	0	1,205,550	150,059	1,355,609	1,307,608
Capital Assets - note 7	3,037	0	0	3,037	4,810
	$ 255,211	$ 2,008,303	$ 337,205	$ 2,600,719	$ 2,556,545
Liabilities and Net Assets					
Current Liabilities					
Accounts payable and accrued liabilities - note 8	8,341	347		8,688	2,958
Unearned revenue - note 9					25,708
Current portion of CFSIP investment pool loan		75,800		75,800	73,800
	8,341	76,147	0	84,488	102,466
Long-Term Liabilities					
CFSIP investment pool loan - note 10		84,335		84,335	160,177
Repayable loan funds		1,001,000	200,000	1,201,000	1,201,000
Deferred contributions - note 9					132
	0	1,085,335	200,000	1,285,335	1,361,309
Net Assets					
Unrestricted net assets	246,870			246,870	238,028
Restricted net assets					
Investment fund		846,821		846,821	724,675
Disabled entrepreneur investment fund			137,205	137,205	130,067
	246,870	846,821	137,205	1,230,896	1,092,770
	$ 255,211	$ 2,008,303	$ 337,205	$ 2,600,719	$ 2,556,545

Approved on behalf of the board:

President

Secretary

The notes to financial statements are an integral part of these financial statements.

Ventures Community Futures Development Corporation
Statement of Changes in Net Assets
For the year ended March 31, 2018

	Unrestricted Net Assets	Restricted Net Assets Investment Fund	Restricted Net Assets Disabled Entrepreneur Investment Fund	2018 Total	2017 Total
Balance, beginning of year	238,028	724,675	130,067	1,092,770	956,660
Excess of revenue over expenses for the year	8,842	122,146	7,138	138,126	136,110
Balance, end of year	$ 246,870	$ 846,821	$ 137,205	$ 1,230,896	$ 1,092,770

The notes to financial statements are an integral part of these financial statements.

Ventures Community Futures Development Corporation

Statement of Operations

For the year ended March 31, 2018

	Operating Fund	Investment Fund	Disabled Entrepreneur Investment Fund	2018 Total	2017 Total
Revenue					
Grants					
W.E.D.C.	297,669			297,669	297,670
W.E.D.C. capital - note 9	132			132	144
CFS Conference					19,077
Interest on loans		120,483	29,723	150,206	165,804
Loan administration fees	7,810			7,810	4,865
Loan recoveries		15,467		15,467	452
Investment income	3,393	6,244	880	10,517	6,769
Training programs	3,595			3,595	1,120
Other revenue	17,601			17,601	9,207
	330,200	142,194	30,603	502,997	505,108
Expenses					
Advertising and promotion	552			552	563
Amortization	2,196			2,196	2,046
Audit	8,138			8,138	7,955
Bank charges	1,311			1,311	699
Board travel/training	7,550			7,550	8,255
CFS Conference					18,346
Community Economic Development	6,225			6,225	11,794
Contracted services	9,230			9,230	14,164
Credit checks/collections	2,284			2,284	2,025
Employee wages and benefits	207,916			207,916	192,714
Impairment - loans and interest		15,000	23,465	38,465	28,000
Insurance	1,976			1,976	1,987
Interest - long-term		5,048		5,048	11,215
Office	2,574			2,574	3,389
Office rent	50,428			50,428	47,842
Professional development	1,416			1,416	824
Repairs and maintenance	819			819	1,922
Resource library	481			481	436
Staff travel	3,255			3,255	4,551
Telephone	5,995			5,995	6,081
Utilities	4,063			4,063	3,701
Workshops	4,949			4,949	489
	321,358	20,048	23,465	364,871	368,998
Excess of Revenue over Expenses for the Year	$ 8,842	$ 122,146	$ 7,138	$ 138,126	$ 136,110

The notes to financial statements are an integral part of these financial statements.

Ventures Community Futures Development Corporation

Statement of Cash Flows

For the year ended March 31, 2018

	2018	2017
Cash Provided By (Used In):		
Operations		
Excess of revenue over expenses for the year	138,126	136,110
Loans disbursed	(509,141)	(409,051)
Principal payments collected	357,038	645,661
Add items not requiring cash resources		
Amortization	2,196	2,046
Provision for impairment and bad debts	38,465	28,000
Net change in working capital	(51,566)	(5,597)
	(24,882)	397,169
Investing activities		
Capital asset purchases	(424)	(1,087)
Financing activities		
Repayment of long-term loans	(73,841)	(273,754)
Deferred contributions	(132)	(144)
	(73,973)	(273,898)
Net Cash Increase (Decrease) for the Year	(99,279)	122,184
Cash position, beginning of year	915,627	793,443
Cash Position, End of Year	$ 816,348	$ 915,627
Net change in working capital consists of:		
Decrease (increase) - accounts receivable	(18,610)	1,181
- inventories	407	480
- prepaid expenses	468	1,494
- other current assets	(13,854)	(2,380)
Increase (decrease) - accounts payable and accrued liabilities	5,731	(3,497)
- other current liabilities	(25,708)	(2,875)
	$(51,566)	$(5,597)
Additional Information:		
Interest received	$ 146,868	$ 170,193

The notes to financial statements are an integral part of these financial statements.

1. **Nature of Operations**

The organization was incorporated on February 6, 1997 under the Non-Profit Corporations Act of Saskatchewan. The Ventures Community Futures Development Corporation develops and diversifies the economy of east-central Saskatchewan through support of new or expanding small businesses. Funding for the organization has been provided by Western Economic Diversification Canada. These funds are used to provide small business counselling, advisory services and access to capital in the form of loans. The organization is not subject to income tax.

2. **Significant Accounting Policies**

These financial statements are the responsibility of management and have been prepared in accordance with Canadian accounting standards for not-for-profit organizations using the accounting policies as summarized below:

(a) Fund accounting

Operations of the organization are reported in an operating fund, an investment fund and a disabled entrepreneur investment fund. An agreement with Western Economic Diversification Canada requires that the two investment funds be established as restricted funds. These funds are to provide loans to qualifying businesses.

The revenue generated from the undisbursed repayable loan funds and interest from disbursed loans are restricted until March 31, 2021. On April 1, 2021, the unencumbered free cash balance of the repayable fund must be repaid to Western Economic Diversification Canada, unless the funding contract is renegotiated or extended. At this time, all loan payments will be payable to Western Economic Diversification Canada until the original repayable contribution and one-half of the remaining assets have been repaid.

The contribution agreement provides funds to the organization for reimbursement up to 100% of eligible operating expenses of the corporation.

Another agreement with Western Economic Diversification has provided financial assistance to the organization to obtain capital assets to enable them to operate. The revenue is deferred until the assets are amortized.

(b) Cash and cash equivalents

Cash and cash equivalents represents cash on hand and cash held in banks.

(c) Inventories

Inventories are valued at the lower of cost and current replacement cost. Cost is determined on a first-in, first-out basis.

2. **Significant Accounting Policies** - continued

(d) Loans receivable

Loans receivable are initially measured at fair value and subsequently at amortized cost using the effective interest method, less any impairment. An allowance for impaired loans is maintained that reduces the carrying value of loans to their estimated realizable amount. A loan is classified as impaired when there is no reasonable assurance that the principal and interest will be collected in full.

The organization records specific allowances based on management's review of individual loans to reduce their book values to estimated realizable amounts. The net amount represents management's best estimate of the future value of the payment it will receive on each loan, discounted at the loan's inherent interest rate. When management cannot determine the loan's future cash flow, it bases its estimate on the estimated market value of the loan's security, and where appropriate and reasonable, on the discounted future value of the loan's security, net of expected selling costs. The organization records changes to the estimated realizable value of the loan as a charge or credit for loan impairment.

The charge for loan impairment includes the current year's allowance for loan principal deemed uncollectible, less collections of principal and interest on loans allowed for in prior years and the write-down of foreclosed assets.

(e) Capital assets

Tangible capital assets are recorded at cost less accumulated amortization.

The assets are amortized on a straight-line basis based on the estimated useful life of the asset as follows:

Office equipment	2-10 years
Computer equipment	2-3 years
Computer software	2 years
Leasehold improvements	5 years

In the year of purchase, capital assets are amortized starting in the month of acquisition.

In the year of disposition, capital assets are amortized until the month of disposition.

(f) Revenue recognition

The organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Restricted contributions for which the related restrictions remain unfulfilled are accumulated as deferred contributions.

Interest revenue is recognized on an accrual basis as it is earned based on the terms of loans, deposit accounts and other investments. Grant revenues for operations are recognized based on the time period to which they relate. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. All other revenues are recognized when goods have been delivered or services provided, provided the amount receivable can be reasonably estimated and collection is reasonably assured.

Restricted contributions for the purchase of amortized capital assets are deferred and recognized as revenue on the same basis as the amortization related to the acquired assets.

2. **Significant Accounting Policies** - continued

(g) Donated materials and service

Materials and services donated to the organization are recognized in these financial statements when they are used in the normal operations of the organization. They are recorded at their fair market value. During the year, there were no goods and services donated to the organization.

(h) Financial instruments

Measurement of financial instruments

The organization initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The organization subsequently measures all its financial assets and liabilities at amortized cost, net of impairment allowances, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in excess of revenue over expenses.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in excess of revenue over expenses. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in excess of revenue over expenses.

(i) Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the period in which they became known.

Significant estimates have been made in the following financial statement areas:

- valuation of loans and receivables - actual collectability may differ from those anticipated by management
- useful lives of capital assets and related amortization - service lives may differ from initial estimates

3. **Risks Arising from Financial Instruments**

The organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the organization's risk exposure and concentrations at the reporting date. The terms and conditions affecting the financial instruments are:

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Due to the nature of the organization, the organization is exposed to significant credit risk from the potential non-payment of loans receivable. To mitigate this risk, the organization had implemented processes to review the credit worthiness of its loan applicants, as well as registering security interests. Additionally, the organization has policies in place relating to loan approvals and maximum amounts able to be lent to any one borrower. The organization does not consider itself to be exposed to credit risk in relation to its accounts receivables, as these amounts are substantially all receivable from government bodies.

(b) Interest rate risk

The loans receivables bear fixed interest rates. As such, the organization's exposure to interest rate risk is limited to fair value risk.

	2018	2017
4. Accounts Receivable		
Accounts receivable are comprised of the following items:		
Operating fund:		
Goods and services tax	1,074	1,431
Other receivables	3,441	
	$ 4,515	$ 1,431
Investment fund:		
Goods and services tax	59	
Other receivables	15,467	
Total Investment fund:	$ 15,526	$ 0
5. Foreclosed Assets		
Foreclosed assets	96,536	
Less: Allowance	(28,000)	
	$ 68,536	$ 0

6. Loans Receivable

	2018	2017
Investment Fund:		
Construction	92,560	
Food services	402,027	250,203
Hospitality services	77,270	71,982
Mechanical services	210,745	250,886
Retail trade	231,135	263,256
Transportation	12,858	21,046
Other services	267,553	431,658
Impaired loans	117,102	91,559
Syndicated loans		(53,175)
	1,411,250	1,327,415
Allowance for impaired loans	(22,000)	(28,000)
Current portion	(183,700)	(181,800)
	$ 1,205,550	$ 1,117,615
Disabled Entrepreneur Investment Fund:		
Construction	56,728	65,992
Other services	216,431	251,901
Current portion	(123,100)	(127,900)
	$ 150,059	$ 189,993

7. Capital Assets

	2018	2017
Cost		
Office equipment	58,005	57,990
Computer equipment	25,616	25,616
Computer software	12,384	12,384
Leasehold improvements	20,076	20,076
	116,081	116,066
Accumulated amortization		
Office equipment	56,366	55,918
Computer equipment	24,641	23,446
Computer software	12,384	12,384
Leasehold improvements	19,653	19,508
	113,044	111,256
Net book value	$ 3,037	$ 4,810

	2018	2017

8. **Accounts Payable and Accrued Liabilities**

Accounts payable and accrued liabilities are comprised of the following items:

Operating Fund:

	2018	2017
Government remittances	3,882	
Accrued wages payable	4,459	2,451
	$ 8,341	$ 2,451

Investment Fund:

	2018	2017
Accrued interest payable	$ 347	$ 507

9. **Unearned Revenue and Deferred Contributions**

Unearned revenue represents restricted contributions to be used to fund operations in the subsequent fiscal year. The changes in the deferred contributions balance are as follows:

	2018	2017
Balance, beginning of year	25,708	28,583
Less: Amount recognized as revenue during the year	25,708	28,583
Plus: Amount received for subsequent year		25,708
Balance, end of year	$ 0	$ 25,708

Deferred contributions related to capital assets represent government contributions for the purchase of capital assets. These contributions are recognized on the same basis as the amortization of the related assets, and are considered long-term liabilities. The changes in the deferred contributions balance are as follows:

	2018	2017
Balance, beginning of year	132	276
Less: Amount recognized as revenue during the year	132	144
Balance, end of year	$ 0	$ 132

	2018	2017

10. **CFSIP Investment Pool Loan**

The organization has borrowed from the Community Futures Saskatchewan Investment Pool fund for the purposes of advancing loans via its normal lending program. These loans are unsecured. Details and repayment terms of the amounts borrowed are as follows:

$300,000 was borrowed in the 2016 fiscal year. The loan bears a fixed interest rate of 2.6% per annum, with interest-only payments until April 2016 and $6,587 monthly thereafter.

	2018	2017
Balance, end of year	160,135	233,977
Less: Portion due in one year	75,800	73,800
	$ 84,335	$ 160,177

Estimated principal payments of the CFSIP loan due within each of the next two years amount to:

2019	75,800
2020	77,800
Thereafter	6,535
	$ 160,135

11. **Commitments**

Loans and flex lines of credit approved but not advanced at March 31, 2018 total $136,597 (2017 - $144,951).

The organization leases office space under a lease agreement which expires March 31, 2021, but includes a five-year option to renew at the end of the lease. The lease is payable monthly in the amount of $2,833 plus GST. The organization is also responsible for its proportionate share of the overall operational and maintenance costs of the building based on proportionate square footage. These costs are payable on a monthly basis at a value estimated by the landlord and adjusted annually for actual costs.