

**COMMUNITY FUTURES BIG COUNTRY**

**Financial Statements**

**For the year ended March 31, 2015**

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**COMMUNITY FUTURES BIG COUNTRY**  
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For the year ended March 31, 2015

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# Young Parkyn McNab LLP

CHARTERED ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To: The Board of Directors of  
Community Futures Big Country

We have audited the accompanying financial statements of Community Futures Big Country which comprise the statement of financial position as at March 31, 2015, 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.

### *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 judgement, 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 Big Country as at March 31, 2015 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Lethbridge, Alberta  
June 24, 2015

*Young Parkyn McNab LLP*

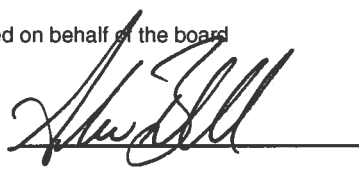
Chartered Accountants

**COMMUNITY FUTURES BIG COUNTRY**  
**STATEMENT OF FINANCIAL POSITION**  
**As at March 31, 2015**

	Operating fund	Loan investment funds				2015 Total	2014 Total
		General	Partnership	Restricted	Disabled		
<b>ASSETS</b>							
<b>Current assets</b>							
Cash	\$ 37,395	\$ 1,095,625	\$ 16,486	\$ -	\$ 42,821	\$ 1,192,327	\$ 682,707
Internally restricted cash	11,122	-	-	-	-	11,122	11,015
Term deposits (note 3)	-	752,038	-	-	-	752,038	745,675
Accounts receivable	290,108	18	-	-	-	290,126	7,188
Interest receivable	-	28,859	658	1,990	-	31,507	60,140
GST receivable	2,854	-	-	-	-	2,854	1,803
Interfund receivable	-	620,103	247,674	-	71,753	939,530	1,027,497
Due from Hope Clinic Inc.	-	-	-	-	-	-	16,471
Due from Badlands Animation Inc.	-	-	-	-	-	-	11,851
Current portion of loans receivable	-	101,874	48,423	176,602	31,963	358,862	395,660
Prepaid expenses	1,328	-	-	-	-	1,328	1,862
	342,807	2,598,517	313,241	178,592	146,537	3,579,694	2,961,869
<b>Loans receivable (note 4)</b>	-	457,649	393,951	116,302	34,543	1,002,445	2,679,353
<b>Investment in Pure North Badlands Ltd. (note 5)</b>	-	-	-	25,000	-	25,000	25,000
<b>Investment in Hope Clinic (note 6)</b>	-	-	-	66,595	-	66,595	70,715
<b>Capital assets (note 7)</b>	327,283	-	-	-	-	327,283	324,964
	\$ 670,090	\$ 3,056,166	\$ 707,192	\$ 386,489	\$ 181,080	\$ 5,001,017	\$ 6,061,901
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Current liabilities</b>							
Operating line (note 8)	\$ -	\$ -	\$ 663,263	\$ -	\$ -	\$ 663,263	\$ 377,320
Accounts payable and accrued liabilities	4,405	-	-	-	-	4,405	6,492
Payroll remittances	23,492	-	-	-	-	23,492	3,198
Interfund payable	477,445	-	-	462,085	-	939,530	1,027,497
Callable debt repayable within one year	16,177	-	-	-	-	16,177	15,200
	521,519	-	663,263	462,085	-	1,646,867	1,429,707
<b>Callable debt (note 9)</b>	101,806	-	-	-	-	101,806	117,977
	623,325	-	663,263	462,085	-	1,748,673	1,547,684
<b>Investment fund (note 10)</b>	-	-	-	565,999	200,000	765,999	765,999
	623,325	-	663,263	1,028,084	200,000	2,514,672	2,313,683
<b>Fund balances</b>							
Unrestricted	(173,657)	-	-	-	-	(173,657)	(59,684)
Internally restricted (note 11)	11,122	-	43,929	-	-	55,051	82,451
Externally restricted	-	3,056,166	-	(641,595)	(18,920)	2,395,651	3,533,664
Invested in capital assets	209,300	-	-	-	-	209,300	191,787
	46,765	3,056,166	43,929	(641,595)	(18,920)	2,486,345	3,748,218
	\$ 670,090	\$ 3,056,166	\$ 707,192	\$ 386,489	\$ 181,080	\$ 5,001,017	\$ 6,061,901

Approved on behalf of the board

Director



Director



**COMMUNITY FUTURES BIG COUNTRY**  
**STATEMENT OF OPERATIONS**  
For the year ended March 31, 2015

	Operating fund	Loan investment funds				2015 Total	2014 Total
		General	Partnership	Restricted	Disabled		
<b>Revenue</b>							
Western Economic Development	\$ 289,550	\$ -	\$ -	\$ -	\$ -	\$ 289,550	\$ 289,550
Interest income	386	73,054	31,355	73,574	-	178,369	242,284
Starland project	3,509	-	-	-	-	3,509	38,388
Other revenue	21,701	-	750	-	-	22,451	17,518
Loss on investments	-	-	-	(16,120)	-	(16,120)	(30,668)
	<b>315,146</b>	<b>73,054</b>	<b>32,105</b>	<b>57,454</b>	<b>-</b>	<b>477,759</b>	<b>557,072</b>
<b>Expenses</b>							
Bad debts	15,147	322,299	39,540	749,047	197,175	1,323,208	634,600
Wages and benefits	228,379	-	-	-	-	228,379	153,299
Professional fees	33,472	-	-	-	-	33,472	25,501
Interest and bank charges	753	-	20,072	-	-	20,825	13,787
Office	18,090	-	-	-	-	18,090	16,666
Telephone and utilities	16,161	-	-	-	-	16,161	15,130
Advertising	14,379	-	-	-	-	14,379	15,863
Conferences	10,302	-	-	-	-	10,302	4,555
Repairs and maintenance	8,054	-	-	-	-	8,054	9,536
Interest on long-term debt	7,899	-	-	-	-	7,899	8,816
Information technology	7,739	-	-	-	-	7,739	8,518
Special projects	7,500	-	-	-	-	7,500	49,238
Janitorial	5,314	-	-	-	-	5,314	5,190
Meetings	4,829	-	-	-	-	4,829	5,625
Property taxes	4,413	-	-	-	-	4,413	4,325
Insurance	4,375	-	-	-	-	4,375	2,917
Hope Health Initiative Project	4,129	-	-	-	-	4,129	16,887
Travel and accommodation	3,634	-	-	-	-	3,634	9,121
Memberships	822	-	-	-	-	822	3,394
Contract service	-	-	-	-	-	-	40,000
Amortization	15,904	-	-	-	-	15,904	16,736
	<b>411,295</b>	<b>322,299</b>	<b>59,612</b>	<b>749,047</b>	<b>197,175</b>	<b>1,739,428</b>	<b>1,059,704</b>
<b>Deficiency of revenue over expenses before other expenses</b>	<b>(96,149)</b>	<b>(249,245)</b>	<b>(27,507)</b>	<b>(691,593)</b>	<b>(198,499)</b>	<b>(1,261,669)</b>	<b>(502,632)</b>
<b>Other (expenses) revenue</b>							
Loss on disposal of assets	(10,821)	-	-	-	-	(10,821)	-
Insurance proceeds	10,617	-	-	-	-	10,617	-
<b>Deficiency of revenue over expenses</b>	<b>\$ (96,353)</b>	<b>\$ (249,245)</b>	<b>\$ (27,507)</b>	<b>\$ (691,593)</b>	<b>\$ (197,175)</b>	<b>\$ (1,261,873)</b>	<b>\$ (502,632)</b>

**COMMUNITY FUTURES BIG COUNTRY**  
**STATEMENT OF CHANGES IN FUND BALANCES**  
For the year ended March 31, 2015

	Operating fund	Loan investment funds				2015 Total	2014 Total
		General	Partnership	Restricted	Disabled		
<b>Fund balances</b>							
<b>Equity in capital assets, beginning of year</b>	\$ 191,787	\$ -	\$ -	\$ -	\$ -	\$ 191,787	\$ 208,523
Purchase of capital assets	29,044	-	-	-	-	29,044	-
Disposal of capital assets	(10,821)	-	-	-	-	(10,821)	-
Repayment of callable debt	15,194	-	-	-	-	15,194	-
Amortization	(15,904)	-	-	-	-	(15,904)	(16,736)
<b>Equity in capital assets, end of year</b>	<b>209,300</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>209,300</b>	<b>191,787</b>
<b>Externally restricted funds, beginning of year</b>							
	-	3,305,411	-	49,998	178,255	3,533,664	3,990,805
Deficiency of revenue over expenses	-	(249,245)	-	(691,593)	(197,175)	(1,138,013)	(457,141)
<b>Externally restricted funds, end of year</b>	<b>-</b>	<b>3,056,166</b>	<b>-</b>	<b>(641,595)</b>	<b>(18,920)</b>	<b>2,395,651</b>	<b>3,533,664</b>
<b>Internally restricted funds, beginning of year</b>							
	11,015	-	71,436	-	-	82,451	105,956
Deficiency of revenue over expenses	-	-	(27,507)	-	-	(27,507)	(19,782)
Interfund transfers	107	-	-	-	-	107	(3,723)
<b>Internally restricted funds, end of year</b>	<b>11,122</b>	<b>-</b>	<b>43,929</b>	<b>-</b>	<b>-</b>	<b>55,051</b>	<b>82,451</b>
<b>Unrestricted funds, beginning of year</b>							
	(59,684)	-	-	-	-	(59,684)	(40,156)
Purchase of capital assets	(29,044)	-	-	-	-	(29,044)	-
Deficiency of revenue over expenses	(96,353)	-	-	-	-	(96,353)	(25,709)
Repayment of callable debt	(15,194)	-	-	-	-	(15,194)	(14,278)
Amortization	15,904	-	-	-	-	15,904	16,736
Interfund transfers	(107)	-	-	-	-	(107)	3,723
Disposal of capital assets	10,821	-	-	-	-	10,821	-
<b>Unrestricted funds, end of year</b>	<b>(173,657)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(173,657)</b>	<b>(59,684)</b>
	\$ 46,765	\$ 3,056,166	\$ 43,929	\$ (641,595)	\$ (18,920)	\$ 2,486,345	\$ 3,748,218

**COMMUNITY FUTURES BIG COUNTRY**  
**STATEMENT OF CASH FLOWS**  
For the year ended March 31, 2015

	Operating fund	Loan investment funds				2015 Total	2014 Total
		General	Partnership	Restricted	Disabled		
<b>Cash flows from operating activities</b>							
Deficiency of revenue over expenses	\$ (96,353)	\$ (249,245)	\$ (27,507)	\$ (691,593)	\$ (197,175)	\$ (1,261,873)	\$ (502,632)
Items not involving cash:							
Loss on disposal of assets	10,821	-	-	-	-	10,821	-
Provision for credit losses	15,147	322,299	39,540	749,047	197,175	1,323,208	634,600
Amortization	15,904	-	-	-	-	15,904	16,736
Loss on investments	-	-	-	16,120	-	16,120	30,668
	(54,481)	73,054	12,033	73,574	-	104,180	179,372
<b>Net change in non-cash working capital items</b>							
Accounts receivable	(298,071)	(18)	-	-	-	(298,089)	6,404
Interfund receivable	390,549	327,865	(239,898)	(478,517)	-	-	-
Prepaid expenses	534	-	-	-	-	534	837
Interest receivable	-	1,448	213	26,972	-	28,633	20,847
Due from equity investments	-	11,851	-	-	-	11,851	-
Due from Hope College	-	-	-	16,471	-	(16,471)	4,818
Accounts payable and accrued liabilities	(2,091)	-	-	-	-	(2,091)	(24,129)
Payroll remittances	20,294	-	-	-	-	20,294	-
GST receivable	(1,051)	-	-	-	-	(1,051)	845
	55,683	414,200	(227,652)	(361,500)	-	(152,210)	188,994
Loan payments	-	278,769	329,374	1,124,775	3,909	1,736,827	1,135,140
Loan advances	-	(140,057)	(438,336)	(751,275)	(1,509)	(1,331,177)	(852,876)
	55,683	552,912	(336,614)	12,000	2,400	253,440	471,258
<b>Cash flows from investing activities</b>							
Purchase of capital assets	(29,044)	-	-	-	-	(29,044)	-
Purchase of investments	-	-	-	(12,000)	-	(12,000)	(35,000)
	(29,044)	-	-	(12,000)	-	(41,044)	(35,000)
<b>Cash flows from financing activities</b>							
Repayment of callable debt	(15,202)	-	-	-	-	(15,202)	(14,279)
<b>Increase (decrease) in cash and equivalents</b>	<b>11,437</b>	<b>552,912</b>	<b>(336,614)</b>	<b>-</b>	<b>2,400</b>	<b>230,135</b>	<b>421,979</b>
<b>Cash and equivalents, beginning of year</b>	<b>37,080</b>	<b>1,294,751</b>	<b>(310,163)</b>	<b>-</b>	<b>40,421</b>	<b>1,062,089</b>	<b>640,110</b>
<b>Cash and equivalents, end of year</b>	<b>\$ 48,517</b>	<b>\$ 1,847,663</b>	<b>\$ (646,777)</b>	<b>\$ -</b>	<b>\$ 42,821</b>	<b>\$ 1,292,224</b>	<b>\$ 1,062,089</b>
<b>Cash and cash equivalents consists of:</b>							
Cash	\$ 37,395	\$ 1,095,625	\$ 16,486	\$ -	\$ 42,821	\$ 1,192,327	\$ 682,719
Internally restricted cash	11,122	-	-	-	-	11,122	11,015
Term deposits	-	752,038	-	-	-	752,038	745,675
Operating line	-	-	(663,263)	-	-	(663,263)	(377,320)
	\$ 48,517	\$ 1,847,663	\$ (646,777)	\$ -	\$ 42,821	\$ 1,292,224	\$ 1,062,089

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**COMMUNITY FUTURES BIG COUNTRY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended March 31, 2015

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**1. Nature of operations**

Community Futures Big Country is incorporated under the Companies Act of Alberta. It is a community-based not-for-profit organization that provides community economic development and strategic planning, business advisory services, access to financial assistance as an alternative lender, and delivery of economic programs as required in Drumheller, Alberta and the surrounding area.

**2. Significant accounting policies**

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant policies are detailed as follows:

(a) Fund accounting

The organization follows the restricted fund method of accounting and uses the following funds:

Operating fund:

The operating fund is charged with providing administration services to other funds within the control of the organization. The operating fund accounts for the organization's operating costs and general revenues. This fund reports unrestricted resources and restricted operating grants.

General loan investment fund:

The general loan investment fund is charged with providing loan financing to qualifying businesses in Drumheller and the surrounding area.

Partnership loan investment fund:

The partnership loan investment fund is charged with providing loan financing to qualifying businesses in Drumheller and the surrounding area who have proven to be reliable businesses.

Restricted loan investment fund:

The restricted loan investment fund is charged with providing loan financing to qualifying businesses in Drumheller and the surrounding area.

Disabled loan investment fund:

The disabled loan investment fund is charged with providing loan financing to qualifying individuals who have a physical or mental impairment to start or expand business ventures in Drumheller and the surrounding area.

(b) Revenue recognition

Restricted contributions related to general operations are recognized as revenue of the general fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

Unrestricted contributions are recognized as revenue of the general fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Investment income includes interest income as well as realized gains and losses.



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**COMMUNITY FUTURES BIG COUNTRY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended March 31, 2015**

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**2. Significant accounting policies, continued**

(c) Capital assets

Capital assets are recorded at cost. The organization provides for amortization in the operating fund using the declining balance method at rates designed to amortize the cost of the capital assets over their estimated useful lives. One-half the normal rate is used in the year of acquisition.

Buildings and renovations	4%
Office equipment	20%
Furniture and fixtures	20%
Audio video equipment	20%
Computer equipment	45%

(d) Long-term investments

Long-term investments subject to significant influence or control are recorded using the equity method of accounting.

(e) Impaired loans and allowances for loan impairment

Loans receivable are classified as impaired when, in the opinion of management, there is reasonable doubt as to the timely collection of principal and interest. The carrying amount of a loan receivable classified as impaired is reduced to its estimated fair value.

(f) Allowance for loan impairment

The allowance for loan impairment is maintained at a level considered adequate to absorb the credit losses existing in the organization's portfolio. It reflects management's best estimate of losses existing in the loan portfolio at the statement of financial position date. The allowance is increased by an annual provision for credit losses, which is charged against income and reduced by writeoffs, net of recoveries.

(g) Income taxes

The organization is operated exclusively for not-for-profit purposes and accordingly will be exempt from income taxes as long as it complies with the requirements of section 149(1)(l) of the Income Tax Act.

(h) 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 disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

A significant area requiring the use of management's estimates is the allowance for loan impairment. This estimate reflects management's best estimate based on the conditions and information available at the time of the preparation of the financial statements. Significant changes in these conditions could result in a different impairment of loan balances.

(i) Equity in capital assets

The organization has chosen to continue to treat equity in capital assets as a separate component of fund balances.

**COMMUNITY FUTURES BIG COUNTRY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended March 31, 2015

2. **Significant accounting policies, continued**

(j) **Financial instruments**

The organization initially measures its financial assets and liabilities at fair value. The organization subsequently measures all its financial assets and financial liabilities at amortized cost.

3. **Term deposit**

The term deposit bears interest at a rate of 0.85% and matures on March 31, 2016.

4. **Loans receivable**

Outstanding loans to entrepreneurs are interest bearing at fixed rates varying from 5% to 12% with monthly blended principal and interest repayments amortized for terms of between 12 and 180 months. Security is taken on these loans as appropriate and includes personal guarantees, general security agreements covering personal and business assets, assignment of insurance, and mortgages on land and buildings.

	Recorded loan	Allowance	Carrying value	Current portion	Long-term portion
General	\$ 1,099,384	\$ (539,861)	\$ 559,523	\$ 101,874	\$ 457,649
Partnership	501,914	(59,540)	442,374	48,423	393,951
Restricted	1,886,921	(1,594,017)	292,904	176,602	116,302
Disabled	343,681	(277,175)	66,506	31,963	34,543
	<u>\$ 3,831,900</u>	<u>\$ (2,470,593)</u>	<u>\$ 1,361,307</u>	<u>\$ 358,862</u>	<u>\$ 1,002,445</u>

5. **Investment in Pure North Badlands Ltd.**

Community Futures Big Country owns 25 Class A shares representing a 5% equity position in Pure North Badlands Ltd.

**COMMUNITY FUTURES BIG COUNTRY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended March 31, 2015

**6. Investment in Hope Clinic Inc.**

The investment in Hope Clinic Inc. consists of \$112,000 paid for 23.43% participating interest the clinic, with 41.32% of the voting shares, less the organization's \$44,848 share of the accumulated losses. During the year the organization purchased 6 shares for \$12,000. As of February 28, 2015 and for the year then ended, Hope Clinic Inc. reported the following transactions:

	2015	2014
Assets	\$ 61,413	\$ 77,928
Liabilities	(33,300)	(9,384)
Shareholders' equity	\$ 28,113	\$ 68,544

	2015	2014
Revenue	\$ 136,575	\$ 172,344
Expenses	(205,376)	(291,813)
Net loss	\$ (68,801)	\$ (119,469)

	2015	2014
Cash flows from operating activities	\$ (25,839)	\$ (134,221)
Cash flows from investing activities	(3,260)	(26,360)
Cash flows from financing activities	28,414	146,088
Net increase (decrease) in cash	(685)	(14,493)
Cash, beginning of year	8,778	23,271
Cash, end of year	\$ 8,093	\$ 8,778

**7. Capital assets**

	2015		2014	
	Cost	Accumulated amortization	Net	Net
Land	\$ 38,000	\$ -	\$ 38,000	\$ 38,000
Buildings	376,159	105,524	270,635	267,003
Office equipment	63,131	56,244	6,887	8,607
Furniture and fixtures	52,085	44,513	7,572	9,466
Audio video equipment	19,941	19,132	809	1,156
Computer equipment	74,236	70,856	3,380	732
	\$ 623,552	\$ 296,269	\$ 327,283	\$ 324,964

**COMMUNITY FUTURES BIG COUNTRY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended March 31, 2015

**8. Operating line**

The operating line of credit with Chinook Credit Union Ltd. bears interest at the prime rate plus 0.5% and can be drawn to a maximum of \$700,000. Interest is payable on the outstanding principal on a monthly basis. Security pledged consists of a collateral mortgage, an assignment of rents, an assignment of adequate insurance over buildings, a borrowing resolution and a general security agreement.

**9. Callable debt**

	2015	2014
Chinook Credit Union Ltd.		
This mortgage is repayable in monthly installments of \$1,924 including interest at 6.25%. Security pledged consists of specified land and building with a carrying value of \$308,635. This loan matures in 2016.	\$ 117,983	\$ 133,177
Repayable within one year	16,177	15,200
	<u>\$ 101,806</u>	<u>\$ 117,977</u>

Estimated principal repayments based on currently accepted repayment terms are as follows:

2016	\$	16,177
2017		17,218
2018		18,325
2019		19,504
2020		20,758
Subsequent years		26,001
	<u>\$</u>	<u>117,983</u>

The organization is in violation of a bank covenant at March 31, 2015 and as a result, this loan has been classified as callable.

**10. Investment fund**

Western Economic Diversification contributions are required to be maintained in particular funds. These contributions are available solely for the mandate of each fund. In prior years, Western Economic Diversification provided contributions totaling \$765,999 to improve access to capital for qualifying business.

Upon notice of the Minister of Western Economic Development (the "Minister"), the organization must repay the lesser of the uncommitted cash balance within each of these funds and the amount of the repayable contributions within each fund. As of March 31, 2015 no such notice has been given by the Minister.

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**COMMUNITY FUTURES BIG COUNTRY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended March 31, 2015**

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**11. Internally restricted funds**

Internally restricted cash represents funds received relating to contributions from the Drumheller & District Chamber of Commerce gift shop as well as interest earned thereon. These internally restricted amounts are available for community economic development and are not available for other purposes without the approval of the Board of Directors.

Additionally, the internally restricted funds contain the partnership fund which are funds reserved for loans meeting specific criteria set out by the Board of Directors.

**12. Interfund transfers**

As per the agreement with the Minister of Western Diversification, for the year ended March 31, 2015 the organization has the right to transfer interest earned in the investment fund upon approval from Western Diversification to the operating fund.

During the year a temporary transfer of investment funds to the operating fund was approved by Western Diversification to help cover operating costs.

**13. Financial instruments**

**Credit risk**

Credit risk arises from the potential that the entities to which the organization provides financing may experience difficulties and be unable to fulfill their obligations. The organization is exposed to financial risk that arises from the credit quality of the entities to which it provides services and loans.

**Interest rate risk**

The organization manages its exposure to interest rate risk through a combination of fixed and floating rate borrowings. The fixed rate debt is subject to interest rate price risk, as the value will fluctuate as a result of changes in market rates. The floating rate debt is subject to interest rate cash flow risk, as the required cash flows to service the debt will fluctuate as a result of changes in market rates.

**14. Economic dependence**

The organization is economically dependent on Western Economic Diversification for its operating funds.