

COMMUNITY FUTURES BIG COUNTRY

Financial Statements

Year Ended March 31, 2018

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Community Futures Big Country

We have audited the accompanying financial statements of Community Futures Big Country, which comprise the , 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 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.

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Independent Auditor's Report to the Shareholders of Community Futures Big Country *(continued)*

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, 2018 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.

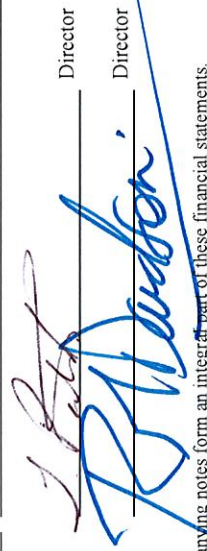
Edmonton, Alberta
July 31, 2018

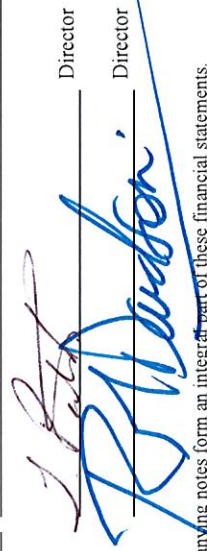
DORWARD & COMPANY LLP
CHARTERED ACCOUNTANTS

COMMUNITY FUTURES BIG COUNTRY
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2018

	OPERATING FUND	LOAN INVESTMENT FUNDS			TOTAL
		GENERAL	RESTRICTED	DISABLED	
CURRENT ASSETS					
Cash (Note 3)	\$ 46,531	\$ 318,060	\$ -	\$ 87,415	\$ 727,771
Internally restricted cash (Note 3)	-	-	-	-	11,206
Accounts receivable	-	2,056	-	-	750
Interest receivable	-	5,092	-	-	5,497
Goods and Services Tax receivable	2,101	739	-	-	1,495
Interfund receivable	-	21,830	500,000	-	521,830
Current portion of loans receivable	-	231,259	-	-	164,268
Prepaid Expenses	1,100	-	-	-	1,100
	49,732	579,036	500,000	87,415	1,216,183
LONG TERM INVESTMENTS					
Loans receivable (Note 4)	-	801,851	-	-	801,851
Community Futures Lending Investment Pool (Note 5)	-	1,501,878	-	-	1,501,878
	-	2,303,729	-	-	2,303,729
CAPITAL ASSETS (Note 6)	314,101	-	-	-	314,101
	314,101	-	-	-	314,521
TOTAL ASSETS	\$ 363,833	\$ 2,882,765	\$ 500,000	\$ 87,415	\$ 3,834,013
CURRENT LIABILITIES					
Accounts payable and accrued liabilities	\$ 18,462	\$ 148	\$ -	\$ -	\$ 19,931
Interfund payable	21,830	500,000	-	-	134,651
Deferred revenue	-	-	-	-	24,129
Current portion of long-term debt (Note 7)	19,527	-	-	-	19,527
	59,819	500,148	-	-	559,967
LONG TERM LIABILITIES					
Long-term debt (Note 7)	43,578	-	-	-	62,801
Investment fund (Note 8)	-	-	500,000	87,415	765,999
	43,578	-	500,000	87,415	828,800
INVESTED IN CAPITAL ASSETS (Note 2)	250,994	-	-	-	250,994
INTERNALLY RESTRICTED (Note 3)	-	-	-	-	-
EXTERNALLY RESTRICTED (Note 2)	-	2,382,617	-	-	2,382,617
UNRESTRICTED (Note 2)	9,442	-	-	-	9,442
	260,436	2,382,617	-	-	2,643,053
TOTAL LIABILITIES AND NET FUNDS	\$ 363,833	\$ 2,882,765	\$ 500,000	\$ 87,415	\$ 3,834,013

Approved by:

 Director

 Director

The accompanying notes form an integral part of these financial statements.
 Dorward & Company LLP Chartered Accountants

ECONOMIC DEPENDANCE (Note 10)
COMMITMENTS (Note 11)

**COMMUNITY FUTURES BIG COUNTRY
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2018**

	OPERATING	LOAN INVESTMENT FUNDS			TOTAL
		GENERAL	RESTRICTED	DISABLED	
REVENUE					
Western Economic Diversification	\$ 289,549	\$ -	\$ -	\$ -	\$ 289,549
Interest Income	1,386	64,551	20,944	-	86,881
Investment Income - CFLJP	-	38,249	-	-	38,249
Other revenue	27,961	200	(4,850)	-	23,311
TOTAL REVENUE	318,896	103,000	16,094	-	437,990
Expenses					
Bad debts	-	284,957	(2,880)	(45,232)	236,845
Wages and benefits	179,230	-	-	-	179,230
Professional fees	38,141	-	-	-	38,141
Office	25,786	223	-	-	26,009
Amortization	14,426	-	-	-	14,426
Telephone and utilities	14,010	-	-	-	14,010
Conferences	10,157	-	-	-	10,157
Advertising	7,199	-	-	-	7,199
Property taxes	5,286	-	-	-	5,286
Information technology	5,246	-	-	-	5,246
Janitorial	4,874	-	-	-	4,874
Repairs and maintenance	4,832	-	-	-	4,832
Insurance	4,123	-	-	-	4,123
Travel and accommodation	4,414	-	-	-	4,414
Interest on long-term debt	3,049	-	-	-	3,049
Meetings	2,938	-	-	-	2,938
Interest and bank charges	31	210	360	-	601
TOTAL ADMINISTRATIVE EXPENDITURES	323,742	285,390	(2,520)	(45,232)	561,380
EXCESS OF REVENUE OVER EXPENDITURE	\$ (4,846)	\$ (182,390)	\$ 18,614	\$ 45,232	\$ (123,390)
					\$ 147,831

The accompanying notes form an integral part of these financial statements.
Dorward & Company LLP Chartered Accountants

**COMMUNITY FUTURES BIG COUNTRY
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2018**

	CAPITAL ASSET FUND	OPERATING FUND	INTERNALLY RESTRICTED	LOAN INVESTMENT FUNDS				TOTAL
				GENERAL	PARTNERSHIP	RESTRICTED	DISABLED	
FUND BALANCES Beginning of year	\$ 232,500	\$ (124,465)	\$ 11,206	\$ 3,194,701	\$ (5,466)	\$ (496,801)	\$ (45,232)	\$ 2,618,612
EXCESS OF REVENUE OVER EXPENSES	(14,426)	9,580	-	(182,390)	-	18,614	45,232	147,831
TRANSFER OF FUNDS (Note 2) Repayment of long-term debt	18,916	(18,916)	-	-	-	-	-	-
Additions to capital assets	14,004	(14,004)	-	-	-	-	-	-
TRANSFER OF FUNDS from RESTRICTED From restricted (Note 2)	-	157,247	(11,206)	(629,694)	5,466	478,187	-	-
FUND BALANCES, end of year	\$ 250,994	\$ 9,442	\$ -	\$ 2,382,617	\$ -	\$ -	\$ -	\$ 2,643,053

**COMMUNITY FUTURES BIG COUNTRY
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 2018**

	LOAN INVESTMENT FUNDS				TOTAL		
	OPERATING FUND	GENERAL	PARTNERSHIP	RESTRICTED		DISABLED	
\$	(4,846)	\$ (182,390)	\$ -	\$ 18,614	\$ 45,232	\$ (123,390)	\$ 147,831
Amortization	14,426	-	-	-	-	14,426	17,743
	9,580	(182,390)	-	18,614	45,232	(108,964)	165,574
Changes in non-cash working capital							
Accounts receivable	-	(1,307)	-	-	-	(1,307)	771
Prepaid expenses	-	-	-	-	-	-	228
Interest receivable	-	405	-	-	-	405	24,382
Accounts payable and accrued liabilities	(928)	(396)	-	-	-	(1,324)	18,770
Deferred revenue	(24,129)	-	-	-	-	(24,129)	24,129
Interfund transfer (note 9)	33,219	229,795	(205,928)	(18,614)	(38,472)	-	-
GST receivable	(897)	(446)	-	-	-	(1,343)	1,968
	7,265	228,051	(205,928)	(18,614)	(38,472)	(27,698)	70,248
FINANCING ACTIVITIES							
Repayment of long-term debt	(18,916)	(178,584)	-	-	-	(197,500)	(19,804)
	(18,916)	(178,584)	-	-	-	(197,500)	(19,804)
INVESTING ACTIVITIES							
Additions to capital assets	(14,004)	-	-	-	-	(14,004)	-
Decrease (increase) in short term investments	-	(488,249)	-	-	-	(488,249)	(24,479)
Decrease (increase) in loans receivable	-	549,444	-	-	-	549,444	186,686
	(14,004)	61,195	-	-	-	47,191	162,207
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(16,075)	(71,728)	(205,928)	0	6,760	(286,971)	378,225
CASH, beginning of year	62,606	389,705	205,928	-	80,738	738,977	560,752
CASH, end of year	46,531	317,977	-	0	87,498	452,006	738,977
CASH AND CASH EQUIVALENTS CONSISTS OF:							
Cash	46,531	318,060	-	-	87,415	452,006	727,771
Internally restricted cash	-	-	-	-	-	-	11,206
	46,531	318,060	-	-	87,415	452,006	738,977

CASH PROVIDED BY OPERATING ACTIVITIES

Excess of revenue over expenses
Items not requiring an outlay of cash:
Amortization

Changes in non-cash working capital

Accounts receivable
Prepaid expenses
Interest receivable
Accounts payable and accrued liabilities
Deferred revenue
Interfund transfer (note 9)
GST receivable

FINANCING ACTIVITIES

Repayment of long-term debt

INVESTING ACTIVITIES

Additions to capital assets
Decrease (increase) in short term investments
Decrease (increase) in loans receivable

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

CASH, beginning of year
CASH, end of year

CASH AND CASH EQUIVALENTS CONSISTS OF:

Cash
Internally restricted cash

COMMUNITY FUTURES BIG COUNTRY

Notes to Financial Statements

Year Ended March 31, 2018

1. PURPOSE OF THE ORGANIZATION

Community Futures Big Country (the "organization") is a not-for-profit organization incorporated provincially under the Companies Act of Alberta.

The organization operates as 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 surrounding area.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPPO).

Basis of Accounting

Community Futures Big Country follows the restricted fund method of accounting for contributions.

The General Fund accounts for the organization's program delivery and administrative activities, as well as the purchase of capital assets. This fund reports unrestricted resources and restricted operating funds.

The Restricted Investment Fund reports the assets, liabilities, revenues and expenditures related to the loan portfolio. This fund reports restricted resources that are to be used for assistance to small businesses and entrepreneurs in the form of loans, loan guarantees or equity participation. Loans from the Disabled Loan Investment Fund are limited to qualifying individuals who have a physical or mental impairment to start or expand business ventures. The corporation is restricted in the types of loans that can be made according to its agreement with the federal government.

Loans Receivable

The loan portfolio and accrued interest receivable on the loans are stated net of provisions for impaired loans and unearned interest.

Interest income is recorded on an accrual basis unless the loan is classified as an impaired loan. Loans are considered to be impaired when, in management's opinion, there is a reasonable doubt as to the ultimate collectibility of some portion of the principal or interest. The carrying amount of a loan receivable classified as impaired is reduced to its estimated fair value.

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.

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COMMUNITY FUTURES BIG COUNTRY

Notes to Financial Statements

Year Ended March 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Capital assets

Capital assets are stated at cost or deemed cost less accumulated amortization. Capital assets are amortized over their estimated useful lives on a declining balance basis at the following rates and methods:

Buildings	4%	declining balance method
Land	N/A	non-amortizable
Furniture and fixtures	20%	declining balance method
Office equipment	20%	declining balance method
Computer equipment	30%	declining balance method
Audio visual equipment	30%	declining balance method

The organization regularly reviews its capital assets to eliminate obsolete items. Government grants are treated as a reduction of capital assets cost.

Capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

Revenue recognition

Community Futures Big Country follows the restricted fund method of accounting for contributions.

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.

Income taxes

Community Futures Big Country is operated exclusively for not-for-profit purposes and accordingly will be exempt from income taxes as long as it complies with the requirements under paragraph 149(1)(l) of the Income Tax Act.

Government Assistance

Funding to finance operating expenses is provided by the Office of Western Economic Diversification and Alberta Employment and Immigration. The funding is recorded as revenue when earned in the Statement of Operations.

Funding to finance capital expenditures is provided by the Office of Western Economic Diversification. This funding is applied against the cost of the capital assets purchased, reducing their cost for accounting purposes.

Non-repayable funding received to finance investment loans has been recorded as contributed surplus on the Statement of Financial Position.

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COMMUNITY FUTURES BIG COUNTRY

Notes to Financial Statements

Year Ended March 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Restricted Investment Fund

Loan Investment Funds restricted to loans and equity investment to entrepreneurs. The Community Futures Big Country Investment Fund assets are restricted by agreements with Her Majesty the Queen in respect of Canada, to provide loan funding for businesses that have otherwise exhausted the normal financing possibilities available to them.

Invested in Capital Assets

This balance represents the corporation's net investment in capital assets after deducting any applicable loans related to these assets. It is the original cost of the assets, less accumulated amortization and any deferred contributions related to the assets as well as any outstanding loans.

Transfer of funds to capital assets

This account represents the cash investment required to purchase new capital assets, and the expenditure recognized regarding amortization of capital assets.

Contributed Services

Volunteers contributed time to assist the organization in carrying out its operations because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

Financial instruments

The organization initially measures its financial assets and liabilities at fair value. The organization subsequently measures all of its financial assets and financial liabilities at amortized cost except for investments in securities traded in an active market, which are measured at fair value.

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 amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

COMMUNITY FUTURES BIG COUNTRY

Notes to Financial Statements

Year Ended March 31, 2018

3. CASH

The corporation holds cash which is restricted to specific program expenditures and types of investments as follows:

	General	Investment Fund	2018	2017
Unrestricted cash	\$ 46,531	\$ -	\$ 46,531	\$ 51,400
Restricted cash	-	405,475	405,475	676,371
	<u>\$ 46,531</u>	<u>\$ 405,475</u>	<u>\$ 452,006</u>	<u>\$ 727,771</u>

Restricted cash in the investment fund represents funds externally restricted for specific lending programs.

4. LOANS RECEIVABLE

The Community Futures Big Country loan portfolio consists of 32 (2017 - 47) loans at interest rates ranging from 5.00% to 10.00% per annum (2017 - 5.00% to 10.00%). Repayment agreements most commonly require monthly or semi-monthly blended principal and interest payments and occasionally involve interest only periods. Security is taken on the loans as appropriate to the situation and may include personal guarantees, general security agreements covering business assets, mortgages on equipment, land and buildings, or assignment of accounts receivable. The loans are amortized over periods not exceeding twenty years, with the terms of renewal not exceeding five years.

The loan portfolio is composed of widely diversified business ventures located over a broad geographical area. An allowance for losses on investment loans is made based on review of the loans portfolio, as determined by management.

Net investment in the loan portfolio is summarized as follows:

	2018	2017
Recorded loan	\$ 1,271,003	\$ 2,714,560
Allowance	<u>(237,893)</u>	<u>(1,132,006)</u>
	1,033,110	1,582,554
Amounts receivable within one year	<u>(231,258)</u>	<u>(164,268)</u>
	<u>\$ 801,852</u>	<u>\$ 1,418,286</u>

COMMUNITY FUTURES BIG COUNTRY

Notes to Financial Statements

Year Ended March 31, 2018

5. COMMUNITY FUTURES LENDING INVESTMENT POOL

The funds invested in the Community Futures Lending Investment Pool are managed on behalf of the organization by Community Futures Network of Alberta. The organization has access to the funds at any time if they are required for loan purposes.

	<u>2018</u>	<u>2017</u>
<i>Investment</i>		
Opening balance	\$ 1,013,629	\$ 989,150
Net deposit (withdrawal)	450,000	(20,000)
Reinvested income	12,416	22,291
Unrealised gain	25,833	22,188
Ending balance	<u>\$ 1,501,878</u>	<u>\$ 1,013,629</u>

6. CAPITAL ASSETS

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Buildings	\$ 403,977	\$ 138,476	\$ 265,501	\$ 264,115
Land	38,000	-	38,000	38,000
Furniture and fixtures	52,085	48,207	3,878	4,847
Office equipment	63,131	59,604	3,527	4,408
Computer equipment	82,759	79,841	2,918	2,754
Audio visual equipment	19,941	19,663	278	397
	<u>\$ 659,893</u>	<u>\$ 345,791</u>	<u>\$ 314,102</u>	<u>\$ 314,521</u>

7. LONG TERM DEBT

	<u>2018</u>	<u>2017</u>
This mortgage is repayable in monthly blended payments of \$1,819, including interest at 4.25%. Security pledged consists of specified land and building with a carrying value of \$291,550. This loan matures on June 1, 2019	\$ 63,105	\$ 82,021
Amounts payable within one year	<u>(19,527)</u>	<u>(19,220)</u>
	<u>\$ 43,578</u>	<u>\$ 62,801</u>

Principal repayment terms are approximately:

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COMMUNITY FUTURES BIG COUNTRY

Notes to Financial Statements

Year Ended March 31, 2018

7. LONG TERM DEBT *(continued)*

2019	\$ 19,527
2020	20,374
2021	21,257
2022	<u>1,947</u>
	<u>\$ 63,105</u>

8. INVESTMENT FUND

The corporation has received repayable contributions from Her Majesty the Queen, Minister of Western Economic Diversification (Canada) totaling \$700,000 (2017 - \$700,00), \$200,000 was reserved for loans made to the Disabled Entrepreneur Investment Fund with \$87,415 remaining to be loaned out. The remaining \$500,000 is available to improve access to capital for qualifying business and has been included in the restricted fund.

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, 2018 no such notice has been given by the minister.

9. INTERFUND TRANSFERS

As per agreement with the Minister of Western Diversification, for the year ended March 31, 2018 the organization has the right to transfer interest earned in the investment fund upon approval from Western Diversification to the general fund. In 2018 there was a transfer of funds between the loan investment funds and the operating fund. \$11,389 was transferred in agreement with a program in place. The remaining \$21,830 will be repaid to the loan investment fund from the operating fund in the 2019 year.

10. ECONOMIC DEPENDENCE

The organization receives approximately 66% (2017 - 58%) of its revenue from the Federal government. Should the Federal government substantially change its dealings with the society, management is of the opinion that continued viable operations would be doubtful.

COMMUNITY FUTURES BIG COUNTRY

Notes to Financial Statements

Year Ended March 31, 2018

11. COMMITMENTS

The organization has entered into agreements with Her Majesty the Queen with respect to Canada and Alberta to provide various programs as follows:

The Community Futures Program amendment is the core funding provided by the Office of Western Economic Diversification, and is intended to offset the costs of operations. The amended contribution agreement dated April 3, 2018, provides a maximum of \$289,550 delivered over one year commencing April 1, 2018, with cash payments for the program years to be distributed to the corporation as per the schedule below.

The agreement expires on March 31, 2019. Any surplus realized from this funding is repayable at the government's discretion.

2019	\$ <u>289,550</u>
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12. FINANCIAL INSTRUMENTS

The organization is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the organization's risk exposure and concentration as of March 31, 2018.

(a) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The organization is exposed to credit risk from customers. In order to reduce its credit risk, the organization reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The organization has a significant number of customers which minimizes concentration of credit risk.

Unless otherwise noted, it is management's opinion that the organization is not exposed to significant other price risks arising from these financial instruments.
