

COMMUNITY FUTURES BIG COUNTRY
Financial Statements
Year Ended March 31, 2017

COMMUNITY FUTURES BIG COUNTRY
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MARCH 31, 2017

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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 Statement of Financial Position, Statement of Operations, Statement of Changes in Fund Balances and Statement of Changes in Financial Position , 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.

(continues)

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, 2017 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
June 23, 2017

Donward + Company LLP
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH AGREEMENT

To Western Economic Diversification Canada

We have audited Community Futures Big Country's compliance as at March 31, 2017 with the criteria established in the Contribution Agreement between Western Economic Diversification Canada and Community Futures Big Country, and the interpretation of the Agreement as set out in Note 2 of the attached financial statements.

Management's Responsibility

Management is responsible for the compliance with the criteria established by the provisions of the agreement and for such internal control as management determines is necessary to enable the preparation of the financial information that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this compliance based on our audit. We conducted our audit in accordance with Canadian auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether Community Futures Big Country complied with the criteria established by the provisions of the agreement referred to above. Such an audit includes examining, on a test basis, evidence supporting compliance, evaluating the overall compliance with the agreement, and where applicable, assessing the accounting principles used and significant estimates made by management.

Opinion

In our opinion, Community Futures Big Country is in compliance, in all material respects, with the criteria established by the contribution agreement.

Calgary, Alberta
June 21, 2017

Dorward & Company LLP
CHARTERED ACCOUNTANTS

**COMMUNITY FUTURES BIG COUNTRY
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2017**

| | GENERAL | | RESTRICTED INVESTMENT FUND | | TOTAL | |
|--|------------|--------------------|----------------------------|--------------------|--------------|--------------------|
| | 2017 | 2016 (restated) | 2017 | 2016 (restated) | 2017 | 2016 (restated) |
| CURRENT ASSETS | | | | | | |
| Cash (Note 3) | \$ 51,400 | \$ 36,067 | \$ - | \$ 171,974 | \$ 727,771 | \$ 208,041 |
| Internally restricted cash (Note 3) | 11,206 | 11,206 | - | - | 11,206 | 11,206 |
| Term deposits (Note 4) | - | - | - | 758,468 | - | 758,468 |
| Accounts receivable | - | 1,498 | 750 | 22 | 750 | 1,520 |
| Interest receivable | - | - | 5,497 | 29,879 | 5,497 | 29,879 |
| Goods and Services Tax receivable | 1,202 | 3,463 | 293 | - | 1,495 | 3,463 |
| Interfund receivable | - | - | 134,651 | 208,460 | 134,651 | 208,460 |
| Current portion of loans receivable | - | - | 164,268 | 131,467 | 164,268 | 131,467 |
| Prepaid Expenses | 1,100 | 1,328 | - | - | 1,100 | 1,328 |
| | 64,908 | 53,562 | 981,830 | 1,300,270 | 1,046,738 | 1,353,832 |
| LONG TERM INVESTMENTS | | | | | | |
| Loans receivable (Note 5) | - | - | 1,418,286 | 1,637,773 | 1,418,286 | 1,637,773 |
| Community Futures Lending Investment Pool (Note 6) | - | - | 1,013,629 | 989,150 | 1,013,629 | 989,150 |
| | - | - | 2,431,915 | 2,626,923 | 2,431,915 | 2,626,923 |
| CAPITAL ASSETS (Note 7) | 314,521 | 332,265 | - | - | 314,521 | 332,265 |
| | 314,521 | 332,265 | - | - | 314,521 | 332,265 |
| TOTAL ASSETS | \$ 379,429 | \$ 385,827 | \$ 3,413,745 | \$ 3,927,193 | \$ 3,793,174 | \$ 4,313,020 |
| CURRENT LIABILITIES | | | | | | |
| Bank indebtedness | \$ - | \$ - | \$ - | \$ 5,700 | \$ - | \$ 5,700 |
| Operating line (Note 4) | - | - | - | 611,263 | - | 611,263 |
| Accounts payable and accrued liabilities | 19,387 | 1,161 | 544 | - | 19,931 | 1,161 |
| Interfund payable | 134,651 | 208,460 | - | - | 134,651 | 208,460 |
| Deferred revenue | 24,129 | - | - | - | 24,129 | - |
| Current portion of long-term debt (Note 8) | 19,220 | 18,274 | - | - | 19,220 | 18,274 |
| | 197,387 | 227,895 | 544 | 616,963 | 197,931 | 844,858 |
| LONG TERM LIABILITIES | | | | | | |
| Long-term debt (Note 8) | 62,801 | 83,551 | - | - | 62,801 | 83,551 |
| Investment fund (Note 9) | - | - | 765,999 | 765,999 | 765,999 | 765,999 |
| | 62,801 | 83,551 | 765,999 | 765,999 | 828,800 | 849,550 |
| INVESTED IN CAPITAL ASSETS (Note 2) | | | | | | |
| Internally Restricted (Note 3) | 232,500 | 230,439 | - | - | 232,500 | 230,439 |
| Externally Restricted (Note 2) | 11,206 | 11,206 | - | - | 11,206 | 11,206 |
| Unrestricted (Note 2) | (124,465) | (167,264) | 2,647,202 | 2,544,231 | (12,465) | (167,264) |
| | 119,241 | 74,381 | 2,647,202 | 2,544,231 | 2,766,443 | 2,618,612 |
| TOTAL LIABILITIES AND NET FUNDS | \$ 379,429 | \$ 385,827 | \$ 3,413,745 | \$ 3,927,193 | \$ 3,793,174 | \$ 4,313,020 |

Approved by:  Director

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

**COMMUNITY FUTURES BIG COUNTRY
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2017**

| | GENERAL | | | RESTRICTED INVESTMENT FUND | | | TOTAL | |
|--|--------------------|------------------|-------------------|----------------------------|-------------------|--------------------|------------|--------------------|
| | 2017 | 2016 | 2017 | 2016 (restated) | 2017 | 2016 (restated) | 2017 | 2016 (restated) |
| REVENUE | | | | | | | | |
| Western Economic Diversification | \$ 289,550 | \$ 275,743 | \$ - | \$ - | \$ - | \$ - | \$ 289,550 | \$ 275,743 |
| Interest Income | 810 | 707 | 128,690 | 138,786 | | | 129,500 | 139,493 |
| Other revenue | 23,684 | 22,400 | 14,973 | 6,504 | | | 38,657 | 28,904 |
| Investment Income - CFLIP | - | - | 44,479 | 14,150 | | | 44,479 | 14,150 |
| Loss on investments | - | - | - | (91,595) | | | - | (91,595) |
| TOTAL REVENUE | 314,044 | 298,850 | 188,142 | 67,845 | 502,186 | 366,695 | | |
| Expenses | | | | | | | | |
| Wages and benefits | 189,578 | 94,284 | 1,787 | - | | | 191,365 | 94,284 |
| Professional fees | 45,005 | 41,130 | - | - | | | 45,005 | 41,130 |
| Amortization | 17,743 | 18,698 | - | - | | | 17,743 | 18,698 |
| Telephone and utilities | 15,150 | 13,616 | - | - | | | 15,150 | 13,616 |
| Office | 14,155 | 19,320 | - | - | | | 14,155 | 19,320 |
| Advertising | 7,722 | 13,700 | - | - | | | 7,722 | 13,700 |
| Repairs and maintenance | 6,550 | 7,313 | - | - | | | 6,550 | 7,313 |
| Information technology | 6,273 | 11,850 | - | - | | | 6,273 | 11,850 |
| Conferences | 5,081 | 10,377 | - | - | | | 5,081 | 10,377 |
| Property taxes | 4,976 | 4,719 | - | - | | | 4,976 | 4,719 |
| Janitorial | 4,322 | 6,518 | - | - | | | 4,322 | 6,518 |
| Insurance | 4,271 | 3,913 | - | - | | | 4,271 | 3,913 |
| Interest on long-term debt | 4,221 | 6,423 | - | 72 | | | 4,221 | 6,495 |
| Travel and accommodation | 4,143 | 7,494 | - | - | | | 4,143 | 7,494 |
| Meetings | 2,487 | 1,162 | - | - | | | 2,487 | 1,162 |
| Interest and bank charges | 7 | 1,300 | 1,382 | 19,347 | | | 1,389 | 20,647 |
| Bad debts (Note 14) | - | 9,434 | 19,502 | 40,739 | | | 19,502 | 50,173 |
| TOTAL ADMINISTRATIVE EXPENDITURES | 331,684 | 271,251 | 22,671 | 60,158 | 354,355 | 331,409 | | |
| EXCESS OF REVENUE OVER EXPENDITURES | \$ (17,640) | \$ 27,599 | \$ 165,471 | \$ 7,687 | \$ 147,831 | \$ 35,286 | | |

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, 2017**

| | INVESTED IN CAPITAL ASSETS | GENERAL OPERATING FUND UNRESTRICTED | INTERNALLY RESTRICTED | RESTRICTED INVESTMENT FUND | TOTAL |
|--|-------------------------------|---|--------------------------|-------------------------------|--------------|
| | | | | | 2017 |
| FUND BALANCES Beginning of year | \$ 230,439 | \$ (167,264) | \$ 11,206 | \$ 2,544,231 | \$ 2,618,612 |
| EXCESS OF REVENUE OVER EXPENSES | (17,743) | 103 | - | 165,471 | 147,831 |
| TRANSFER OF FUNDS (Note 2) Repayment of long-term debt | 19,804 | (19,804) | - | - | - |
| TRANSFER OF FUNDS from RESTRICTED From restricted (Note 2) | - | 62,500 | - | (62,500) | - |
| FUND BALANCES, end of year | \$ 232,500 | \$ (124,465) | \$ 11,206 | \$ 2,647,202 | \$ 2,766,443 |

(restated)

2,583,326

35,286

2,618,612

**COMMUNITY FUTURES BIG COUNTRY
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 2017**

| | GENERAL | RESTRICTED INVESTMENT FUND | TOTAL |
|---|-------------|----------------------------------|------------|
| | 2017 | 2016 (restated) | |
| CASH PROVIDED BY OPERATING ACTIVITIES | | | |
| Excess of revenue over expenses | \$ (17,640) | \$ 165,471 | \$ 147,831 |
| Items not requiring an outlay of cash: | | | |
| Amortization | 17,743 | - | 17,743 |
| Loss (gain) on investments | - | - | - |
| Provision for credit losses | - | - | - |
| | 103 | 165,471 | 165,574 |
| Changes in non-cash working capital | | | |
| Accounts receivable | 1,499 | (728) | 771 |
| Prepaid expenses | 228 | - | 228 |
| Interest receivable | - | 24,382 | 24,382 |
| Accounts payable and accrued liabilities | 18,226 | 544 | 18,770 |
| Payroll remittances | - | - | - |
| Deferred revenue | 24,129 | - | 24,129 |
| Interfund transfer | (31,113) | 31,113 | - |
| GST receivable | 2,261 | (293) | 1,968 |
| | 15,230 | 55,018 | 70,248 |
| | | | 262,882 |
| FINANCING ACTIVITIES | | | |
| Repayment of long-term debt | - | (19,804) | (19,804) |
| | - | (19,804) | (19,804) |
| INVESTING ACTIVITIES | | | |
| Additions to capital assets | - | - | - |
| Decrease (increase) in short term investments | - | (24,479) | (24,479) |
| Decrease (increase) in loans receivable | - | 186,686 | 186,686 |
| | - | 162,207 | 162,207 |
| | 15,333 | 362,892 | 378,225 |
| | 47,273 | 313,479 | 360,752 |
| | 62,606 | 676,371 | 738,977 |
| | \$ | \$ | \$ |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | | |
| CASH, beginning of year | | | (931,472) |
| CASH, end of year | | | 1,292,224 |
| | | | 360,752 |
| | | | 738,977 |
| | | | \$ 360,752 |
| CASH AND CASH EQUIVALENTS CONSISTS OF: | | | |
| Cash | 51,400 | 676,371 | 727,771 |
| Internally restricted cash | 11,206 | - | 11,206 |
| Term deposits | - | - | - |
| Bank indebtedness | - | - | - |
| Operating line | - | - | - |
| | 62,606 | 676,371 | 738,977 |
| | | | 208,041 |
| | | | 11,206 |
| | | | 758,468 |
| | | | (5,700) |
| | | | (611,263) |
| | | | 360,752 |

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

COMMUNITY FUTURES BIG COUNTRY

Notes to Financial Statements

Year Ended March 31, 2017

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 (ASNFPO).

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.

(continues)

COMMUNITY FUTURES BIG COUNTRY

Notes to Financial Statements

Year Ended March 31, 2017

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 |
| Office Equipment | 20% | declining balance method |
| Furniture and fixtures | 20% | declining balance method |
| Audio visual equipment | 20% | declining balance method |
| Computer software | 45% | 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.

(continues)

COMMUNITY FUTURES BIG COUNTRY

Notes to Financial Statements

Year Ended March 31, 2017

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, 2017

3. CASH

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

| | General | Investment Fund | 2017 | 2016 |
|-------------------|------------------|--------------------|-------------------|-------------------|
| Unrestricted cash | \$ 51,400 | \$ - | \$ 51,400 | \$ 36,067 |
| Restricted cash | 11,206 | 676,371 | 687,577 | 324,685 |
| | <u>\$ 62,606</u> | <u>\$ 676,371</u> | <u>\$ 738,977</u> | <u>\$ 360,752</u> |

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

Restricted cash in the general fund represents funds received relating to contributions for the Drumheller & District Chamber of Commerce gift ship as well 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.

4. TERM DEPOSIT AND OPERATING LINE

The Guaranteed Investment Certificate was closed on April 12, 2016 with the proceeds being used to repay and close the operating line of credit on the same date.

COMMUNITY FUTURES BIG COUNTRY

Notes to Financial Statements

Year Ended March 31, 2017

5. LOANS RECEIVABLE

The Community Futures Big Country loan portfolio consists of 47 loans at interest rates ranging from 7.00% to 10.00% per annum. 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:

| | <u>2017</u> | <u>2016</u> |
|------------------------------------|---------------------|---------------------|
| Recorded loan | \$ 2,714,560 | \$ 3,956,487 |
| Allowance | <u>(1,132,006)</u> | <u>(2,187,247)</u> |
| | 1,582,554 | 1,769,240 |
| Amounts receivable within one year | <u>(164,268)</u> | <u>(131,467)</u> |
| | <u>\$ 1,418,286</u> | <u>\$ 1,637,773</u> |

6. 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>2017</u> | <u>2016</u> |
|-------------------|---------------------|-------------------|
| Investment | \$ 989,150 | \$ 975,000 |
| Net withdrawal | (20,000) | - |
| Reinvested income | 22,291 | 9,912 |
| Unrealised gain | <u>22,188</u> | <u>4,238</u> |
| | <u>\$ 1,013,629</u> | <u>\$ 989,150</u> |

COMMUNITY FUTURES BIG COUNTRY

Notes to Financial Statements

Year Ended March 31, 2017

7. CAPITAL ASSETS

| | Cost | Accumulated amortization | 2017 Net book value | 2016 Net book value |
|------------------------|-------------------|-----------------------------|---------------------------|---------------------------|
| Buildings | \$ 391,782 | \$ 127,667 | \$ 264,115 | \$ 275,119 |
| Land | 38,000 | - | 38,000 | 38,000 |
| Furniture and fixtures | 52,085 | 47,238 | 4,847 | 6,059 |
| Office Equipment | 63,131 | 58,723 | 4,408 | 5,511 |
| Computer equipment | 80,948 | 78,194 | 2,754 | 7,009 |
| Audio visual equipment | 19,941 | 19,544 | 397 | 567 |
| | <u>\$ 645,887</u> | <u>\$ 331,366</u> | <u>\$ 314,521</u> | <u>\$ 332,265</u> |

8. LONG TERM DEBT

| | 2017 | 2016 |
|---|------------------|------------------|
| This mortgage is repayable in monthly installments of \$1,831 including interest at 4.15%. Security pledged consists of specified land and building with a carrying value of \$302,115. This loan matures on June 1, 2018 | \$ 82,021 | \$ 101,825 |
| Amounts payable within one year | <u>(19,220)</u> | <u>(18,274)</u> |
| | <u>\$ 62,801</u> | <u>\$ 83,551</u> |

Principal repayment terms are approximately:

| | |
|------|------------------|
| 2018 | \$ 19,220 |
| 2019 | 19,738 |
| 2020 | 20,573 |
| 2021 | 21,443 |
| 2022 | 1,047 |
| | <u>\$ 82,021</u> |

9. INVESTMENT FUND

The corporation has received repayable contributions from Her Majesty the Queen, Minister of Western Economic Diversification (Canada) totaling \$765,999, of which \$205,200 is reserved for loans made to the Disabled Entrepreneur Investment Fund. The remaining \$560,799 is available for the Regular Investment Fund loans.

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, 2017 no such notice has been given by the minister.

COMMUNITY FUTURES BIG COUNTRY

Notes to Financial Statements

Year Ended March 31, 2017

10. INTERFUND TRANSFERS

As per agreement with the Minister of Western Diversification, for the year ended March 31, 2017 the organization has the right to transfer interest earned in the investment fund upon approval from Western Diversification to the general fund.

11. ECONOMIC DEPENDENCE

The organization receives approximately 58% (2015 - 75%) 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.

12. 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 March 14, 2017, provides a maximum of \$289,550 delivered over one year commencing April 1, 2017, with cash payments for the program years to be distributed to the corporation as per the schedule below.

The agreement expires on March 31, 2018. Any surplus realized from this funding is repayable at the government's discretion.

| | |
|------|-------------------|
| 2018 | <u>\$ 289,550</u> |
|------|-------------------|

13. 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, 2017.

(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.

COMMUNITY FUTURES BIG COUNTRY

Notes to Financial Statements

Year Ended March 31, 2017

14. PRIOR PERIOD ADJUSTMENT

The prior period allowance for doubtful accounts and bad debt expense has been adjusted for estimates made by management, it was estimated previously that collateral would not be received. In the current year this estimate has been revised. The effect of these adjustments are summarized below:

| | As previously stated | Restated | Net change |
|------------------------------------|-------------------------|---------------------|-------------|
| Allowance for doubtful loans | \$ (1,982,765) | \$ (2,187,247) | \$ 204,482 |
| Loans receivable, net of allowance | 1,641,751 | 1,846,233 | (204,482) |
| Bad debt expense | 254,655 | 50,173 | 204,482 |
| Fund Balances | 2,414,130 | 2,618,612 | (204,482) |
| | <u>\$ 2,327,771</u> | <u>\$ 2,327,771</u> | <u>\$ -</u> |

15. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.
