

COMMUNITY FUTURES YELLOWHEAD EAST

CONSOLIDATED BALANCE SHEET

MARCH 31, 2018 and 2017

2018

2017

	General Fund	Loan Investment Funds			Total	Total
		Repayable	Nonrepayable	Disabled		
Assets						
Current Assets						
Cash	\$ 425,626	\$ 228,409	\$ 628,136	\$ 142,679	\$ 1,424,850	\$ 1,214,420
Marketable securities	805,206	-	-	-	805,206	794,546
Receivables (Note 5)	1,014	-	-	-	1,014	9,363
Interfund receivables	<u>324,487</u>	<u>26,781</u>	<u>(26,781)</u>	<u>-</u>	<u>324,487</u>	<u>138,464</u>
	<u>1,556,333</u>	<u>255,190</u>	<u>601,355</u>	<u>142,679</u>	<u>2,555,557</u>	<u>2,156,793</u>
Investments (Note 6)	<u>-</u>	<u>-</u>	<u>1,181,301</u>	<u>42,857</u>	<u>1,224,158</u>	<u>1,474,493</u>
Capital (Note 9)	<u>337,468</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>337,468</u>	<u>347,118</u>
	<u>\$ 1,893,801</u>	<u>\$ 255,190</u>	<u>\$ 1,782,656</u>	<u>\$ 185,536</u>	<u>\$ 4,117,183</u>	<u>\$ 3,978,404</u>
Liabilities and Fund Balances						
Current Liabilities						
Bank debt (Note 10)	\$ 289	\$ -	\$ -	\$ -	\$ 289	\$ -
Payables and deferred revenues	16,866	-	4,369	-	21,235	34,279
Interfund payables	<u>-</u>	<u>-</u>	<u>202,129</u>	<u>122,358</u>	<u>324,487</u>	<u>138,464</u>
	<u>17,155</u>	<u>-</u>	<u>206,498</u>	<u>122,358</u>	<u>346,011</u>	<u>172,743</u>
Fund Balances						
Invested in capital	337,468	-	-	-	337,468	347,118
Externally restricted (Note 11)	-	255,190	1,576,158	63,178	1,894,526	1,884,670
Unrestricted	<u>1,539,178</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,539,178</u>	<u>1,573,873</u>
	<u>1,876,646</u>	<u>255,190</u>	<u>1,576,158</u>	<u>63,178</u>	<u>3,771,172</u>	<u>3,805,661</u>
	<u>\$ 1,893,801</u>	<u>\$ 255,190</u>	<u>\$ 1,782,656</u>	<u>\$ 185,536</u>	<u>\$ 4,117,183</u>	<u>\$ 3,978,404</u>

APPROVED ON BEHALF OF THE BOARD:

Director

Director

SEE ACCOMPANYING NOTES
SUBJECT TO AUDIT REPORT DATED JUNE 14, 2018

COMMUNITY FUTURES YELLOWHEAD EAST

CONSOLIDATED STATEMENT OF INCOME AND CHANGES IN GENERAL FUND BALANCE

YEARS ENDED MARCH 31, 2018 and 2017

	2018	2017
Revenue		
Business Development Fund	\$ 321,639	\$ 345,205
Other contracts	<u>68,894</u>	<u>45,987</u>
	<u>390,533</u>	<u>391,192</u>
Expenses		
Business Development Fund	309,354	313,835
Other contracts	<u>100,371</u>	<u>48,587</u>
	<u>409,725</u>	<u>362,422</u>
Net Income for the Year	(19,192)	28,770
General Fund Balance, beginning of year	1,920,990	1,892,221
Adjustment to prior years operating revenue	<u>(25,152)</u>	<u>-</u>
General Fund Balance, end of year	<u>\$ 1,876,646</u>	<u>\$ 1,920,991</u>

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COMMUNITY FUTURES YELLOWHEAD EAST

CONSOLIDATED STATEMENT OF INCOME AND CHANGES IN RESTRICTED FUND BALANCES

YEARS ENDED MARCH 31, 2018 and 2017

2018

2017

	<u>Loan Investment Funds</u>			<u>Total</u>	<u>Total</u>
	<u>Repayable</u>	<u>Nonrepayable</u>	<u>Disabled</u>		
Revenue					
Investment interest	\$ 7,861	\$ 104,440	\$ 4,823	\$ 117,124	\$ 89,184
Bank interest & net fees	<u>-</u>	<u>10,281</u>	<u>(24)</u>	<u>10,257</u>	<u>(17,644)</u>
	<u>7,861</u>	<u>114,721</u>	<u>4,799</u>	<u>127,381</u>	<u>71,540</u>
Expenses					
Loan losses (recovery)	<u>-</u>	<u>117,525</u>	<u>-</u>	<u>117,525</u>	<u>267,249</u>
Income before the following:	<u>7,861</u>	<u>(2,804)</u>	<u>4,799</u>	<u>9,856</u>	<u>(195,709)</u>
Federal share of income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Income for the year	<u>7,861</u>	<u>(2,804)</u>	<u>4,799</u>	<u>9,856</u>	<u>(195,709)</u>
Fund Balances, beginning	501,480	1,324,811	58,379	1,884,670	<u>2,080,379</u>
Adjustment to Prior Years & Authorized Transfers	<u>(254,151)</u>	<u>254,151</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, end of year	<u>\$ 255,190</u>	<u>\$ 1,576,158</u>	<u>\$ 63,178</u>	<u>\$ 1,894,526</u>	<u>\$ 1,884,670</u>

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 SUBJECT TO AUDIT REPORT DATED JUNE 14, 2018

COMMUNITY FUTURES YELLOWHEAD EAST

CONSOLIDATED STATEMENT OF CHANGES IN CASH RESOURCES

YEARS ENDED MARCH 31, 2018 and 2017

2018

2017

	General	Loan Investment Funds			Total	Total
	Fund	Repayable	Nonrepayable	Disabled		
Operating Activities						
Net income	\$ (19,192)	\$ 7,861	\$ (2,804)	\$ 4,799	\$ (9,336)	\$ (166,939)
Add: non-working capital charges						
Amortization	9,650	-	-	-	9,650	15,723
Adjustment to prior years revenue	(25,152)	-	-	-	(25,152)	444,179
	(34,694)	7,861	(2,804)	4,799	(24,838)	292,963
Net changes in non-cash working capital	(8,058)	-	3,651	-	(4,407)	4,898
Marketable securities	(10,660)	-	-	-	(10,660)	(36,545)
	(53,412)	7,861	847	4,799	(39,905)	261,316
Investing Activities						
Fund transfers	(189,859)	(280,932)	486,897	(16,106)	-	-
Net loan advances	-	126,039	78,150	46,146	250,335	348,719
	(189,859)	(154,893)	565,047	30,040	250,335	348,719
Increase (Decrease) in Cash	(243,271)	(147,032)	565,894	34,839	210,430	610,035
Cash, beginning of year	668,897	375,441	62,242	107,840	1,214,420	604,385
Cash, end of year	\$ <u>425,626</u>	\$ <u>228,409</u>	\$ <u>628,136</u>	\$ <u>142,679</u>	\$ <u>1,424,850</u>	\$ <u>1,214,420</u>

SEE ACCOMPANYING NOTES
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COMMUNITY FUTURES YELLOWHEAD EAST

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018 and 2017

1. Purpose of the Organization

Community Futures Yellowhead East is a community based organization that provides loans and financial services to small businesses that are otherwise unable to obtain financing. The corporation is incorporated under the Statutes of Alberta as a not for profit organization. It is exempt from income taxes under the Income Tax Act as a non-profit organization.

2. Summary of Significant Accounting Policies

Community Futures Yellowhead East follows the restricted method of accounting for contributions.

The General Fund accounts for the organization's operating costs and general revenues. This fund reports unrestricted resources and restricted operating grants.

The Loan Investment Funds report 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 Loan Investment Fund for the Disabled are limited to businesses owned and operated by disabled entrepreneurs. The organization is restricted in the types of loans that can be made according to its agreement with the federal government.

Loans receivable

Loans receivable consist of various loans to businesses with repayment terms from two to ten years, with interest at the rate of 9.7 per cent per annum. The corporation holds various types of security. To qualify for financial assistance, the borrower must have shown inability to obtain financing from conventional lenders. Accordingly, sufficient security may not exist to recover all loans in the event of default. Provision has been made for potential loan losses as indicated in Note 8.

Capital assets

Capital assets are recorded at cost. Amortization is calculated using a declining balance method at the following annual rates:

Office building	4 %
Office equipment	20 %
Computer equipment	30 %

Only one-half of these rates are used in the year of acquisition.

Revenue Recognition

Revenue is recognized when the requirements as to performance for transactions involving the sale of goods are met and ultimate collection is reasonably assured at the time of performance.

3. Financial Instruments

The company's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from these instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

COMMUNITY FUTURES YELLOWHEAD EAST

4. Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles 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 reported amount of revenues and expenses during the reporting period. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the period in which they became known.

5. Receivables

	2018	2017
Customers	\$ <u>1,014</u>	\$ <u>9,363</u>

6. Investments

	2018	2017
Western Economic Diversification Fund		
Loans receivable (restricted and unrestricted)	\$ 1,447,876	\$ 1,560,238
Less: provision for loan losses	<u>266,576</u>	<u>174,748</u>
Net loans receivable	\$ <u>1,181,300</u>	\$ <u>1,385,490</u>
Disability Investment Fund		
Loans receivable	\$ 42,857	\$ 89,003
Less: provision for loan losses	<u>-</u>	<u>-</u>
Net loans receivable	\$ <u>42,857</u>	\$ <u>89,003</u>

7. Impaired Loans

	2018			2017
	Gross Loans	General Allowance	Specific Allowance	Carrying Amount
Impaired loans and the related allowance for credit losses are as follows:				
General investment fund	\$ 386,576	\$ -	\$ 266,576	\$ 120,000
Disability investment fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	\$ <u>386,576</u>	\$ <u>-</u>	\$ <u>266,576</u>	\$ <u>120,000</u>

COMMUNITY FUTURES YELLOWHEAD EAST

8. Allowance for Credit Losses

An allowance for losses on investment loans is made based on expected loan default rates, potential loss-ratios and review of loan portfolios, as determined by management as follows:

	2017 Balance	Provision for Losses	2018 Balance
General investment fund	\$ 174,748	\$ 91,828	\$ 266,576
Disability investment fund	-	-	-
	<u>\$ 174,748</u>	<u>\$ 91,828</u>	<u>\$ 266,576</u>

9. Property, Plant and Equipment

	Cost	Accumulated Amortization	2018 Net	2017 Net
Office building	\$ 403,303	\$ 69,323	\$ 333,980	\$ 342,544
Office equipment	60,766	58,478	2,288	2,860
Computer equipment	<u>67,607</u>	<u>66,407</u>	<u>1,200</u>	<u>1,714</u>
	<u>\$ 531,676</u>	<u>\$ 194,208</u>	<u>\$ 337,468</u>	<u>\$ 347,118</u>

10. Bank Indebtedness

Bank indebtedness bears interest at 18.5 per cent per annum and consists of the following:

	2018	2017
Bank overdraft	\$ -	\$ -
Corporate credit card	<u>289</u>	<u>-</u>
	<u>\$ 289</u>	<u>\$ -</u>

As collateral for the bank indebtedness the company has pledged a Registered General Security Agreement and a General Assignment of accounts receivable.

COMMUNITY FUTURES YELLOWHEAD EAST

11. Externally Restricted Net Assets

Major categories of externally imposed restrictions on net assets are as follows:

	2018	2017
General Fund		
Restricted to specific projects	\$ -	\$ -
Loan Investment Funds		
Loan Investment Funds restricted to loan and equity investments to entrepreneurs		
General	1,831,348	1,826,291
Disability	<u>63,178</u>	<u>58,379</u>
	<u>\$ 1,894,526</u>	<u>\$ 1,884,670</u>

12. Lease Commitments

The organization has leased accommodations with the following minimum annual lease payments.

2019	\$ -
2020	-
2021	<u>-</u>
	<u>\$ -</u>

13. Economic Dependence

The organization receives 76% of its operating revenues from the federal government.

COMMUNITY FUTURES YELLOWHEAD EAST

STATEMENT OF BUSINESS DEVELOPMENT FUND OPERATIONS

YEARS ENDED MARCH 31, 2018 and 2017

	2018	2017
Revenue		
Western Economic Diversification contributions	\$ 294,963	\$ 294,963
Contract revenue	9,785	3,300
Consulting fees	2,500	1,595
Training	249	-
Other revenue	<u>14,142</u>	<u>45,347</u>
	<u>\$ 321,639</u>	<u>\$ 345,205</u>

COMMUNITY FUTURES YELLOWHEAD EAST

STATEMENT OF BUSINESS DEVELOPMENT FUND OPERATIONS

YEARS ENDED MARCH 31, 2018 and 2017

	2018	2017
Wage Expense		
Wages and benefits	\$ 190,023	\$ 190,087
Employer CPP/EI	<u>19,257</u>	<u>18,234</u>
	<u>209,280</u>	<u>208,321</u>
Professional Expenses		
Credit/reference searches	508	852
Training - staff and board	8,443	2,161
Business services	2,857	1,353
Professional fees	<u>10,709</u>	<u>9,978</u>
	<u>22,517</u>	<u>14,344</u>
Administration and Other		
Advertising and promotions	10,866	20,030
Bank charges and interest	1,149	688
Photocopier and computer costs	1,221	1,367
Insurance	3,919	3,769
Office/supplies expense	4,088	6,578
Postage	239	130
Property taxes	6,234	8,183
Telecommunications	3,908	3,960
Travel (board)	7,338	7,576
Travel (staff)	18,538	13,988
Utilities	3,207	3,569
Contract expense	7,200	5,609
Amortization	<u>9,650</u>	<u>15,723</u>
	<u>77,557</u>	<u>91,170</u>
Total Expenses	<u>309,354</u>	<u>313,835</u>
Net	<u>\$ 12,285</u>	<u>\$ 31,370</u>