

# COMMUNITY FUTURES YELLOWHEAD EAST

## CONSOLIDATED BALANCE SHEET

MARCH 31, 2014 and 2013

2014

2013

|                                      | General<br>Fund     | Loan Investment Funds |                     |                   | Total               | Total               |
|--------------------------------------|---------------------|-----------------------|---------------------|-------------------|---------------------|---------------------|
|                                      |                     | Repayable             | Nonrepayable        | Disabled          |                     |                     |
| <b>Assets</b>                        |                     |                       |                     |                   |                     |                     |
| <b>Current Assets</b>                |                     |                       |                     |                   |                     |                     |
| Cash                                 | \$ 396,753          | \$ 177,652            | \$ 736,200          | \$ 50,595         | \$ 1,361,200        | \$ 1,835,289        |
| Receivables (Note 5)                 | 265,607             | -                     | -                   | -                 | 265,607             | 122,829             |
| Interfund receivables                | 158,500             | 23,381                | 73,909              | -                 | 255,790             | 420,928             |
| Prepaid expenses                     | 1,646               | -                     | -                   | -                 | 1,646               | 1,646               |
|                                      | <u>822,506</u>      | <u>201,033</u>        | <u>810,109</u>      | <u>50,595</u>     | <u>1,884,243</u>    | <u>2,380,692</u>    |
| Investments (Note 6)                 | -                   | -                     | 1,196,355           | 191,077           | 1,387,432           | 1,107,945           |
| Capital (Note 9)                     | 395,990             | -                     | -                   | -                 | 395,990             | 414,903             |
|                                      | <u>\$ 1,218,496</u> | <u>\$ 201,033</u>     | <u>\$ 2,006,464</u> | <u>\$ 241,672</u> | <u>\$ 3,667,665</u> | <u>\$ 3,903,540</u> |
| <b>Liabilities and Fund Balances</b> |                     |                       |                     |                   |                     |                     |
| <b>Current Liabilities</b>           |                     |                       |                     |                   |                     |                     |
| Bank debt (Note 10)                  | \$ 1,070            | \$ -                  | \$ -                | \$ -              | \$ 1,070            | \$ 1,378            |
| Payables and deferred revenues       | 14,832              | -                     | -                   | -                 | 14,832              | 170,378             |
| Interfund payables                   | 24,375              | -                     | 23,381              | 208,034           | 255,790             | 420,928             |
|                                      | <u>40,277</u>       | <u>-</u>              | <u>23,381</u>       | <u>208,034</u>    | <u>271,692</u>      | <u>592,684</u>      |
| <b>Fund Balances</b>                 |                     |                       |                     |                   |                     |                     |
| Invested in capital                  | 395,990             | -                     | -                   | -                 | 395,990             | 414,903             |
| Externally<br>restricted (Note 11)   | -                   | 201,033               | 1,983,083           | 33,638            | 2,217,754           | 2,248,321           |
| Unrestricted                         | 782,229             | -                     | -                   | -                 | 782,229             | 647,632             |
|                                      | <u>1,178,219</u>    | <u>201,033</u>        | <u>1,983,083</u>    | <u>33,638</u>     | <u>3,395,973</u>    | <u>3,310,856</u>    |
|                                      | <u>\$ 1,218,496</u> | <u>\$ 201,033</u>     | <u>\$ 2,006,464</u> | <u>\$ 241,672</u> | <u>\$ 3,667,665</u> | <u>\$ 3,903,540</u> |

APPROVED ON BEHALF OF THE BOARD:  
 \_\_\_\_\_ Director  
 \_\_\_\_\_ Director

SEE ACCOMPANYING NOTES  
 SUBJECT TO AUDIT REPORT DATED JULY 18, 2014

**COMMUNITY FUTURES YELLOWHEAD EAST**

**CONSOLIDATED STATEMENT OF INCOME AND CHANGES IN GENERAL FUND BALANCE**

**YEARS ENDED MARCH 31, 2014 and 2013**

|  | 2014                | 2013                |
|--|---------------------|---------------------|
| <b>Revenue</b>                                 |                     |                     |
| Business Development Fund                      | \$ 310,458          | \$ 298,922          |
| Job Development Contract                       | <u>480,537</u>      | <u>504,700</u>      |
|  | <u>790,995</u>      | <u>803,622</u>      |
| <b>Expenses</b>                                |                     |                     |
| Business Development Fund                      | 302,628             | 247,203             |
| Job Development Contract                       | <u>372,683</u>      | <u>371,444</u>      |
|  | <u>675,311</u>      | <u>618,647</u>      |
| <b>Net Income for the Year</b>                 | 115,684             | 184,975             |
| <b>General Fund Balance, beginning of year</b> | <u>1,062,535</u>    | <u>877,560</u>      |
| <b>General Fund Balance, end of year</b>       | <u>\$ 1,178,219</u> | <u>\$ 1,062,535</u> |

**COMMUNITY FUTURES YELLOWHEAD EAST**

**CONSOLIDATED STATEMENT OF INCOME AND CHANGES IN RESTRICTED FUND BALANCES**

YEARS ENDED MARCH 31, 2014 and 2013

2014 2013

|                                     | Loan Investment Funds |                     |                  | Total               | Total               |
|-------------------------------------|-----------------------|---------------------|------------------|---------------------|---------------------|
|                                     | Repayable             | Nonrepayable        | Disabled         |                     |                     |
| <b>Revenue</b>                      |                       |                     |                  |                     |                     |
| Investment interest                 | \$ -                  | \$ 71,041           | \$ 6,636         | \$ 77,677           | \$ 56,731           |
| Bank interest & net fees            | -                     | 2,957               | -                | 2,957               | 3,517               |
|                                     | <u>-</u>              | <u>73,998</u>       | <u>6,636</u>     | <u>80,634</u>       | <u>60,248</u>       |
| <b>Expenses</b>                     |                       |                     |                  |                     |                     |
| Loan losses (recovery)              | -                     | 111,201             | -                | 111,201             | 62,137              |
|                                     | <u>-</u>              | <u>(37,203)</u>     | <u>6,636</u>     | <u>(30,567)</u>     | <u>(1,888)</u>      |
| <b>Income before the following:</b> |                       |                     |                  |                     |                     |
| Federal share of income             | -                     | -                   | -                | -                   | -                   |
|                                     | <u>-</u>              | <u>(37,203)</u>     | <u>6,636</u>     | <u>(30,567)</u>     | <u>(1,888)</u>      |
| <b>Net Income for the year</b>      |                       |                     |                  |                     |                     |
|                                     | <u>-</u>              | <u>(37,203)</u>     | <u>6,636</u>     | <u>(30,567)</u>     | <u>(1,888)</u>      |
| <b>Fund Balances, beginning</b>     | <u>201,033</u>        | <u>2,020,286</u>    | <u>27,002</u>    | <u>2,248,321</u>    | <u>2,250,209</u>    |
| <b>Fund Balances, end of year</b>   | <u>\$ 201,033</u>     | <u>\$ 1,983,083</u> | <u>\$ 33,638</u> | <u>\$ 2,217,754</u> | <u>\$ 2,248,321</u> |

SEE ACCOMPANYING NOTES  
SUBJECT TO AUDIT REPORT DATED JULY 18, 2014

**COMMUNITY FUTURES YELLOWHEAD EAST**

**CONSOLIDATED STATEMENT OF CHANGES IN CASH RESOURCES**

YEARS ENDED MARCH 31, 2014 and 2013

2014

2013

|   | General           | Loan Investment Funds |                   |                  | Total               | Total               |
|---|-------------------|-----------------------|-------------------|------------------|---------------------|---------------------|
|   | Fund              | Repayable             | Nonrepayable      | Disabled         |                     |                     |
| <b>Operating Activities</b>             |                   |                       |                   |                  |                     |                     |
| Net income                              | \$ 115,684        | \$ -                  | \$ (37,203)       | \$ 6,636         | \$ 85,117           | \$ 183,087          |
| Add: non-working capital charges        |                   |                       |                   |                  |                     |                     |
| Amortization                            | <u>18,913</u>     | <u>-</u>              | <u>-</u>          | <u>-</u>         | <u>18,913</u>       | <u>3,724</u>        |
|   | 134,597           | -                     | (37,203)          | 6,636            | 104,030             | 186,811             |
| Net changes in non-cash working capital | (409,402)         | 177,643               | (54,695)          | (11,870)         | (298,324)           | (8,540)             |
| Bank loan                               | <u>(308)</u>      | <u>-</u>              | <u>-</u>          | <u>-</u>         | <u>(308)</u>        | <u>(2,552)</u>      |
|   | <u>(275,113)</u>  | <u>177,643</u>        | <u>(91,898)</u>   | <u>(5,234)</u>   | <u>(194,602)</u>    | <u>175,719</u>      |
| <b>Investing Activities</b>             |                   |                       |                   |                  |                     |                     |
| Capital assets disposals (acquisitions) | -                 | -                     | -                 | -                | -                   | (403,303)           |
| Net loan advances                       | <u>-</u>          | <u>-</u>              | <u>(140,192)</u>  | <u>(139,295)</u> | <u>(279,487)</u>    | <u>111,426</u>      |
|   | <u>-</u>          | <u>-</u>              | <u>(140,192)</u>  | <u>(139,295)</u> | <u>(279,487)</u>    | <u>(291,877)</u>    |
| <b>Increase (Decrease) in Cash</b>      | (275,113)         | 177,643               | (232,090)         | (144,529)        | (474,089)           | (116,158)           |
| <b>Cash, beginning of year</b>          | <u>671,866</u>    | <u>9</u>              | <u>968,290</u>    | <u>195,124</u>   | <u>1,835,289</u>    | <u>1,690,951</u>    |
| <b>Cash, end of year</b>                | <u>\$ 396,753</u> | <u>\$ 177,652</u>     | <u>\$ 736,200</u> | <u>\$ 50,595</u> | <u>\$ 1,361,200</u> | <u>\$ 1,574,793</u> |

SEE ACCOMPANYING NOTES  
SUBJECT TO AUDIT REPORT DATED JULY 18, 2014

**NOTES TO FINANCIAL STATEMENTS**

**MARCH 31, 2014 and 2013**

**1. Purpose of the Organization**

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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**

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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 prime plus two per cent per annum with a minimum rate of 5.25 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 % |
| Vehicles           | 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**

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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.

**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**

|           |                   |                   |
|-----------|-------------------|-------------------|
| Customers | <b>2014</b>       | <b>2013</b>       |
|           | <b>\$ 265,607</b> | <b>\$ 122,829</b> |

**6. Investments**

|  | <b>2014</b>         | <b>2013</b>         |
|--|---------------------|---------------------|
| <b>Western Economic Diversification Fund</b>   |                     |                     |
| Loans receivable (restricted and unrestricted) | \$ 1,308,412        | \$ 1,553,249        |
| Less: provision for loan losses                | <u>112,057</u>      | <u>497,086</u>      |
| Net loans receivable                           | <b>\$ 1,196,355</b> | <b>\$ 1,056,163</b> |
| <b>Disability Investment Fund</b>              |                     |                     |
| Loans receivable                               | \$ 191,077          | \$ 51,782           |
| Less: provision for loan losses                | <u>-</u>            | <u>-</u>            |
| Net loans receivable                           | <b>\$ 191,077</b>   | <b>\$ 51,782</b>    |

**7. Impaired Loans**

Impaired loans and the related allowance for credit losses are as follows:

|                            | <b>2014</b>       |                      |                       | <b>2013</b>        |
|----------------------------|-------------------|----------------------|-----------------------|--------------------|
|                            | Gross<br>Loans    | General<br>Allowance | Specific<br>Allowance | Carrying<br>Amount |
| General investment fund    | \$ 265,384        | \$ -                 | \$ 112,057            | \$ 153,327         |
| Disability investment fund | <u>-</u>          | <u>-</u>             | <u>-</u>              | <u>-</u>           |
|                            | <b>\$ 265,384</b> | <b>\$ -</b>          | <b>\$ 112,057</b>     | <b>\$ 153,327</b>  |

# 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:

|                            | 2013<br>Balance   | Provision<br>for Losses | 2014<br>Balance   |
|----------------------------|-------------------|-------------------------|-------------------|
| General investment fund    | \$ 497,086        | \$ (385,029)            | \$ 112,057        |
| Disability investment fund | -                 | -                       | -                 |
|                            | <u>\$ 497,086</u> | <u>\$ (385,029)</u>     | <u>\$ 112,057</u> |

## 9. Property, Plant and Equipment

|                    | Cost              | Accumulated<br>Amortization | 2014<br>Net       | 2013<br>Net       |
|--------------------|-------------------|-----------------------------|-------------------|-------------------|
| Office building    | \$ 403,303        | \$ 16,132                   | \$ 387,171        | \$ 403,303        |
| Office equipment   | 60,766            | 55,180                      | 5,586             | 6,982             |
| Computer equipment | 65,860            | 62,985                      | 2,875             | 4,107             |
| Automotive         | <u>7,300</u>      | <u>6,942</u>                | <u>358</u>        | <u>511</u>        |
|                    | <u>\$ 537,229</u> | <u>\$ 141,239</u>           | <u>\$ 395,990</u> | <u>\$ 414,903</u> |

## 10. Bank Indebtedness

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

|                       | 2014            | 2013            |
|-----------------------|-----------------|-----------------|
| Bank overdraft        | \$ -            | \$ -            |
| Corporate credit card | <u>1,070</u>    | <u>1,378</u>    |
|                       | <u>\$ 1,070</u> | <u>\$ 1,378</u> |

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

**11. Externally Restricted Net Assets**

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

|  | 2014                | 2013                |
|--|---------------------|---------------------|
| <b>General Fund</b>  |                     |                     |
| Restricted to specific projects  | \$ -                | \$ -                |
| <b>Loan Investment Funds</b>   |                     |                     |
| Loan Investment Funds restricted to loan and equity investments to entrepreneurs |                     |                     |
| General  | 2,184,116           | 2,221,319           |
| Disability   | <u>33,638</u>       | <u>27,002</u>       |
|  | <u>\$ 2,217,754</u> | <u>\$ 2,248,321</u> |

**12. Lease Commitments**

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

|      |             |
|------|-------------|
| 2015 | \$ .        |
| 2016 | .           |
| 2017 | <u>.</u>    |
|      | <u>\$ .</u> |

**13. Economic Dependence**

The organization receives 38% of its operating revenues from the federal government.  
 The organization receives 62% of its operating revenues from the provincial government.



# COMMUNITY FUTURES YELLOWHEAD EAST

## STATEMENT OF BUSINESS DEVELOPMENT FUND OPERATIONS

YEARS ENDED MARCH 31, 2014 and 2013

|  | 2014              | 2013              |
|--|-------------------|-------------------|
| <b>Revenue</b>                                 |                   |                   |
| Western Economic Diversification contributions | \$ 294,963        | \$ 294,963        |
| Contract revenue                               | 9,875             | 1,200             |
| Consulting fees                                | 950               | 380               |
| Other revenue                                  | <u>4,670</u>      | <u>2,379</u>      |
|  | <u>\$ 310,458</u> | <u>\$ 298,922</u> |

# COMMUNITY FUTURES YELLOWHEAD EAST

## STATEMENT OF BUSINESS DEVELOPMENT FUND OPERATIONS

YEARS ENDED MARCH 31, 2014 and 2013

|                                 | 2014            | 2013             |
|---------------------------------|-----------------|------------------|
| <b>Wage Expense</b>             |                 |                  |
| Wages and benefits              | \$ 138,613      | \$ 116,555       |
| Employer CPP/EI                 | <u>13,036</u>   | <u>12,350</u>    |
|                                 | <u>151,649</u>  | <u>128,905</u>   |
| <b>Professional Expenses</b>    |                 |                  |
| Credit/reference searches       | 267             | 325              |
| Training - staff and board      | 2,889           | 1,849            |
| Business services               | 1,616           | 1,466            |
| Professional fees               | <u>13,826</u>   | <u>10,120</u>    |
|                                 | <u>18,598</u>   | <u>13,760</u>    |
| <b>Administration and Other</b> |                 |                  |
| Advertising and promotions      | 30,066          | 22,905           |
| Bank charges and interest       | 1,368           | 1,348            |
| Photocopier and computer costs  | 11,292          | 1,028            |
| Insurance                       | 4,710           | 4,629            |
| Office/supplies expense         | 18,050          | 3,735            |
| Postage                         | 77              | 319              |
| Accommodations rental           | 2,565           | 30,391           |
| Property taxes                  | 5,173           | 1,148            |
| Seminar course costs            | 873             | 2,700            |
| Telecommunications              | 9,055           | 10,466           |
| Travel (board)                  | 16,783          | 7,405            |
| Travel (staff)                  | 8,645           | 14,740           |
| Janitorial services             | 336             | -                |
| Contract expense                | 4,475           | -                |
| Amortization                    | <u>18,913</u>   | <u>3,724</u>     |
|                                 | <u>132,381</u>  | <u>104,538</u>   |
| <b>Total Expenses</b>           | <u>302,628</u>  | <u>247,203</u>   |
| <b>Net</b>                      | <u>\$ 7,830</u> | <u>\$ 51,719</u> |

**STATEMENT OF JOB DEVELOPMENT CONTRACT**

**YEARS ENDED MARCH 31, 2014 and 2013**

|                                    | <b>2014</b>       | <b>2013</b>       |
|------------------------------------|-------------------|-------------------|
| <b>Revenue</b>                     |                   |                   |
| Operating - Alberta Human Services | \$ <u>480,537</u> | \$ <u>504,700</u> |
| <b>Salary Expenses</b>             |                   |                   |
| Staff salary expense               | 160,799           | 160,339           |
| Client salaries                    | 169,725           | 173,342           |
| Employee benefits                  | 20,509            | 20,826            |
| Workers' compensation              | <u>2,309</u>      | <u>2,051</u>      |
|                                    | <u>353,342</u>    | <u>356,558</u>    |
| <b>Administration</b>              |                   |                   |
| Advertising and promotions         | 850               | -                 |
| Audit fees                         | 2,460             | 2,050             |
| Client training                    | 6,360             | 4,414             |
| Office supplies and postage        | 843               | 881               |
| Bank service charges               | 464               | 2                 |
| Travel                             | <u>649</u>        | <u>606</u>        |
|                                    | <u>11,626</u>     | <u>7,953</u>      |
| <b>Shop Costs</b>                  |                   |                   |
| Computer lease                     | 174               | -                 |
| Materials and supplies             | 2,621             | 2,013             |
| Shop/classroom rental/utilities    | <u>4,920</u>      | <u>4,920</u>      |
|                                    | <u>7,715</u>      | <u>6,933</u>      |
| <b>Transportation</b>              |                   |                   |
| <b>Total Expenses</b>              | <u>372,683</u>    | <u>371,444</u>    |
| <b>Net</b>                         | <u>\$ 107,854</u> | <u>\$ 133,256</u> |