

**PRINCE ALBERT & DISTRICT  
COMMUNITY FUTURES  
DEVELOPMENT CORPORATION**

***FINANCIAL STATEMENTS***

***March 31, 2015***

## INDEPENDENT AUDITOR'S REPORT

### TO THE BOARD OF DIRECTORS OF PRINCE ALBERT & DISTRICT COMMUNITY FUTURES DEVELOPMENT CORPORATION

We have audited the accompanying financial statements of Prince Albert & District Community Futures Development Corporation which comprise the statement of financial position as at March 31, 2015, and the statements of operations and 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 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.

#### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Prince Albert & District Community Futures Development Corporation 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.



**Chartered Professional Accountants, Chartered Accountants  
Licensed Professional Accountants**

June 23, 2015  
Prince Albert, Saskatchewan

**PRINCE ALBERT & DISTRICT COMMUNITY FUTURES DEVELOPMENT CORPORATION**  
**STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES**  
year ended March 31, 2015

	General Fund	Regular Investment Fund	Disabled Entrepreneur Investment Fund	Forestry Investment Fund	2015	2014
<b>REVENUE</b>						
Contribution - Western Economic						
Diversification	\$ 297,669	\$ -	\$ -	\$ -	\$ 297,669	\$ 297,669
Interest on loans	-	146,212	3,029	9,574	158,815	157,461
Interest on deposit accounts	2,417	4,171	2,614	1,108	10,310	9,647
Administration fees and other income	22,441	-	-	-	22,441	23,760
Recovery of doubtful loans and interest	468	-	-	-	468	-
	<u>322,995</u>	<u>150,383</u>	<u>5,643</u>	<u>10,682</u>	<u>489,703</u>	<u>488,537</u>
<b>EXPENSES</b>						
Accounting, audit and legal	13,978	-	-	-	13,978	15,987
Advertising and promotion	18,003	-	-	-	18,003	15,627
Amortization	3,190	-	-	-	3,190	4,419
Credit losses	-	13,514	-	-	13,514	82,785
Bank charges and interest	1,737	-	-	-	1,737	1,632
Board travel and expenses	11,835	-	-	-	11,835	11,451
Computer repairs and maintenance	3,368	-	-	-	3,368	7,772
Credit checks/collections	1,473	-	-	-	1,473	1,370
Insurance	3,113	-	-	-	3,113	4,967
Leasehold improvements and signage	1,358	-	-	-	1,358	294
Memberships	218	-	-	-	218	1,137
Miscellaneous	940	-	-	-	940	3,875
Office equipment	702	-	-	-	702	1,895
Office supplies	5,230	-	-	-	5,230	5,363
Phone and fax	12,944	-	-	-	12,944	8,669
Photocopier copy contract	5,853	-	-	-	5,853	5,460
Postage	296	-	-	-	296	487
Rent	39,656	-	-	-	39,656	43,596
Staff training	794	-	-	-	794	187
Library	-	-	-	-	-	39
Travel	3,294	-	-	-	3,294	5,068
Utilities	4,450	-	-	-	4,450	4,616
Wages and benefits	98,963	-	-	-	98,963	100,448
Wages and benefits - management	95,977	-	-	-	95,977	92,388
	<u>327,372</u>	<u>13,514</u>	<u>-</u>	<u>-</u>	<u>340,886</u>	<u>419,532</u>
<b>(DEFICIT) SURPLUS</b>	(4,377)	136,869	5,643	10,682	148,817	69,005
<b>FUND BALANCES, BEGINNING OF YEAR</b>	121,720	2,428,174	307,283	240,353	3,097,530	3,028,525
<b>INTERFUND TRANSFERS</b>	787	(787)	-	-	-	-
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 118,130</u>	<u>\$ 2,564,256</u>	<u>\$ 312,926</u>	<u>\$ 251,035</u>	<u>\$ 3,246,347</u>	<u>\$ 3,097,530</u>

See accompanying notes to the financial statements

**PRINCE ALBERT & DISTRICT COMMUNITY FUTURES DEVELOPMENT CORPORATION**  
**STATEMENT OF FINANCIAL POSITION**  
as at March 31, 2015

	General Fund	Regular Investment Fund	Disabled Entrepreneur Investment Fund	Forestry Investment Fund	2015	2014
<b>ASSETS</b>						
Cash	\$ 169,393	\$ 295,152	\$ 271,158	\$ 122,135	\$ 857,838	\$ 1,029,481
Accounts receivable	2,185	-	-	-	2,185	2,630
Accrued interest receivable	-	14,348	206	738	15,292	12,275
Prepaid expenses and deposits	6,192	-	-	-	6,192	7,296
Loans receivable (Note 3)	-	2,254,756	41,562	128,162	2,424,480	2,177,063
SBLA loans receivable (Note 4)	99,854	-	-	-	99,854	82,031
Capital assets (Note 5)	6,861	-	-	-	6,861	8,869
	<u>\$ 284,485</u>	<u>\$ 2,564,256</u>	<u>\$ 312,926</u>	<u>\$ 251,035</u>	<u>\$ 3,412,702</u>	<u>\$ 3,319,645</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 25,285	\$ -	\$ -	\$ -	\$ 25,285	\$ 82,523
SBLA loan payable (Note 4)	99,854	-	-	-	99,854	82,031
Deferred revenue	41,216	-	-	-	41,216	57,561
	166,355	-	-	-	166,355	222,115
<b>FUND BALANCES</b>						
Investment in capital assets	6,861	-	-	-	6,861	8,869
Externally restricted fund balance (Note 7)	-	2,564,256	312,926	251,035	3,128,217	2,975,810
Unrestricted fund balance	111,269	-	-	-	111,269	112,851
	<u>118,130</u>	<u>2,564,256</u>	<u>312,926</u>	<u>251,035</u>	<u>3,246,347</u>	<u>3,097,530</u>
	<u>\$ 284,485</u>	<u>\$ 2,564,256</u>	<u>\$ 312,926</u>	<u>\$ 251,035</u>	<u>\$ 3,412,702</u>	<u>\$ 3,319,645</u>

Commitments (Note 8)

See accompanying notes to the financial statements

APPROVED BY THE BOARD:

  
\_\_\_\_\_  
Director  
\_\_\_\_\_  
Director

**PRINCE ALBERT & DISTRICT COMMUNITY FUTURES DEVELOPMENT CORPORATION**  
**STATEMENT OF CASH FLOWS**  
year ended March 31, 2015

	2015	2014
<b>OPERATING ACTIVITIES</b>		
Surplus	\$ 148,817	\$ 69,005
Items not affecting cash		
Provision for credit losses	13,514	82,785
Amortization of capital assets	3,190	4,419
	<u>165,521</u>	<u>156,209</u>
Changes in non-cash working capital		
Accounts receivable	445	256
Accrued interest receivable	(3,017)	2,615
Prepaid expenses and deposits	1,104	(667)
Accounts payable	(57,238)	62,701
Deferred revenue	(16,345)	26,304
	<u>90,470</u>	<u>247,418</u>
<b>INVESTING ACTIVITIES</b>		
(Increase) in SBLA loans receivable	(17,823)	(3,016)
Increase in SBLA loan payable	17,823	3,016
Net increase in loans receivable	(260,931)	(128,325)
Purchase of capital assets	(1,182)	(9,866)
	<u>(262,113)</u>	<u>(138,191)</u>
<b>NET (DECREASE) INCREASE IN CASH</b>	<b>(171,643)</b>	<b>109,227</b>
<b>CASH, BEGINNING OF YEAR</b>	<b><u>1,029,481</u></b>	<b><u>920,254</u></b>
<b>CASH, END OF YEAR</b>	<b><u>\$ 857,838</u></b>	<b><u>\$ 1,029,481</u></b>

See accompanying notes to the financial statements

**PRINCE ALBERT & DISTRICT  
COMMUNITY FUTURES DEVELOPMENT CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
March 31, 2015**

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**1. PURPOSE OF ORGANIZATION**

Prince Albert and District Community Futures Development Corporation (the "Corporation") was incorporated January 1, 1997 under the Non-Profit Corporations Act, 1995 of Saskatchewan and, as a non-profit organization, is exempt from income taxes under the Income Tax Act. The Corporation was established as part of a federal government initiative called the Community Futures Program and commenced operations in June 1997. The Corporation receives funding from the Department of Western Economic Diversification Canada. The mission of the Corporation is to function as a "Small Business Assistance Centre", providing no-charge business plan help, access to the Community Futures Loan Funds, small business training and education, and access to its business resource library, internet and computer facilities.

**2. ACCOUNTING POLICIES**

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies.

***Fund Accounting***

The accounts of the Corporation are maintained in accordance with the principles of fund accounting. For accounting and reporting purposes, resources are classified into funds in accordance with specified activities or objectives:

(i) General Fund

The General Fund reports the Corporation's general revenue and operating costs related to the service delivery and operating activities of the Corporation.

(ii) Investment Funds

The Investment Funds report the restricted resources that are to be used for assistance to small businesses and entrepreneurs in the form of loans, loan guarantees or equity participation. The Funds report the activities of the Regular, Disabled Entrepreneur and the Forestry Investment Funds. The Corporation is restricted in the types of loans that can be made according to its agreement with the federal government.

***Financial Instruments***

Financial assets and financial liabilities are initially recognized at fair value when the Corporation becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost.

**PRINCE ALBERT & DISTRICT  
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**2. ACCOUNTING POLICIES (continued)**

*Financial Instruments* (continued)

Transaction costs related to financial instruments measured subsequent to initial recognition at fair value are expensed as incurred. Transaction costs related to other financial instruments are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the effective interest method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the effective interest method and recognized in net earnings as interest income or expense.

With respect to financial assets measured at cost or amortized cost, the Corporation recognizes in the statement of operations and changes in fund balances an impairment loss, if any, when there are indicators of impairment and it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed the statement of operations and changes in fund balances in the period the reversal occurs.

*Capital Assets*

Capital assets are recorded at cost and amortized using the straight-line method over the following periods:

Resource library	5 years
Office furniture and equipment	5 years
Computer equipment	5 years
Leasehold improvements and signage	5 years

*Impairment of Long-lived Assets*

When an item of capital asset no longer has any long-term service potential to the Corporation, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations and changes in fund balances.

*Revenue Recognition*

The Corporation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when they are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Loan interest income is recognized on an accrual basis in the statement of operations and changes in fund balances using the effective interest method.

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**2. ACCOUNTING POLICIES (continued)**

*Use of Estimates*

The preparation of the financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The key areas of management estimates are allowance for credit losses and useful lives of capital assets. Actual results could differ from these estimates.

**3. LOANS RECEIVABLE**

Loans receivable consist of the following:

	<u>2015</u>	<u>2014</u>
Loans receivable - performing	\$ 2,346,205	\$ 2,066,969
Loans receivable - non-performing	<u>78,275</u>	<u>110,094</u>
	<u>\$ 2,424,480</u>	<u>\$ 2,177,063</u>

Loans receivable are interest-bearing at fixed rates ranging from 4.5% to 9%. Security is taken on these loans as appropriate to the situation and use of funds.

The change in allowance for credit losses during the year is as follows:

	<u>2015</u>	<u>2014</u>
Balance, beginning of year	\$ 110,094	\$ 27,309
Amounts written off	(49,173)	-
Credit losses recognized	<u>13,514</u>	<u>82,785</u>
Balance, end of year	<u>\$ 74,435</u>	<u>\$ 110,094</u>



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**3. LOANS RECEIVABLE (continued)**

Loans receivable consist of the following:

	2015		2014	
	Performing	Impaired	Performing	Impaired
Current	\$ 2,346,205	-	\$ 2,055,932	-
31 - 60 days	-	-	-	-
61 - 90 days	-	-	11,037	87,603
91 - 120 days	-	-	-	-
120+ days	-	78,275	-	22,491
Balance, end of year	<u>\$ 2,346,205</u>	<u>78,275</u>	<u>\$ 2,066,969</u>	<u>110,094</u>

At March 31, 2015, the Corporation had approved but not disbursed loans in the amount of \$Nil (2014 - \$Nil).

**4. SBLA LOANS RECEIVABLE AND FUNDS PAYABLE**

The Corporation may access up to \$200,000 to provide loans to qualifying small businesses under The Small Business Loans Association (SBLA) Program regulations as administered by Ministry of the Economy. Principal payments recovered on these loans is required to be repaid to Ministry of the Economy. The maximum amount which may be advanced to a business is \$20,000, with interest charged at no more than 10% and repayment due within 2 to 5 years.

In the current year, the Corporation advanced loans of \$60,000 (2014 - \$40,000) under the SBLA program. The loans are secured by a general security agreement and a demand promissory note which are assigned to the Government of Saskatchewan.

The SBLA program was terminated by the Government of Saskatchewan effective March 19, 2015. No future loans will be advanced under this program.

**PRINCE ALBERT & DISTRICT  
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**5. CAPITAL ASSETS**

	Cost	Accumulated Amortization	Net Book Value	
			2015	2014
Resource library	\$ 20,629	\$ 20,629	\$ -	\$ -
Office furniture and equipment	129,511	128,565	946	-
Compute equipment	107,977	103,315	4,662	7,199
Leasehold improvements and signage	83,098	81,845	1,253	1,670
	<u>\$ 341,215</u>	<u>\$ 334,354</u>	<u>\$ 6,861</u>	<u>\$ 8,869</u>

**6. FINANCIAL INSTRUMENTS**

***Interest Rate Risk***

The Interest rate risk is the potential adverse impact on earnings due to changes in interest rates. The Corporation exposure to interest rate risk arises due to loans receivable with fixed rates. Loans receivable with fixed rates subject the Corporation to fair value risk.

***Credit Risk***

The business of the Corporation necessitates the management of credit risk. Credit risk arises from counterparty's inability or unwillingness to fulfill its payment obligations. Credit risk may arise from principal and interest amounts on loans. The General Manager coordinates policy setting on risk management issues, assesses the risk exposure of the Corporation and reviews the effectiveness of internal control processes. The Corporation uses a disciplined lending approach with standard underwriting parameters.

Credit risk also may arise from cash and accounts receivable which are subject to credit risk. The carrying amount of financial assets on the statement of financial position represents the Corporation's maximum credit exposure at the statement of financial position date.

The Corporation is not exposed to significant currency risk.

***Liquidity Risk***

The Corporation's objective is to have sufficient liquidity to meet its liabilities when due. The Corporation monitors its cash balances and cash flows generated from operations and contributions from Western Economic Diversification to meet its requirements. As at March 31, 2015, the most significant financial liability is accounts payable and SBLA loan payable.

**PRINCE ALBERT & DISTRICT  
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**7. CONTINGENCY**

In accordance with the Community Futures Program Agreement signed May 2, 2006 with Western Economic Diversification Canada, any cash balance of each loan investment fund may be repayable to the Government of Canada at any time at the discretion of the Minister. Investment loans receivable at this date will be liquidated via sale to a third party or other means satisfactory to the Minister and forwarded to Western Economic Diversification Canada. This would result in a repayment of \$785,000 from the Regular Investment Fund, \$200,000 from the Disabled Entrepreneur Investment Fund and \$500,000 from the Forestry Investment Fund, plus interest earned on the funds to date.

**8. COMMITMENTS**

The Corporation leases the operating premises under a lease arrangement which expires March 31, 2019. Future lease payments will aggregate \$125,978 including the following amounts over the next four years:

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$ 30,356	\$ 31,115	\$ 31,874	\$ 32,633

The Corporation leases photocopier equipment under a lease arrangement which expires August 14, 2017. Future lease payments will aggregate \$5,494 including the following amounts over the next two years:

<u>2016</u>	<u>2017</u>
\$ 3,878	\$ 1,616

**9. ECONOMIC DEPENDENCE**

The Corporation is economically dependent upon the Government of Canada represented by the Minister of Western Economic Diversification for annual contributions under the Community Futures Program to fund the eligible operating expenditures of the Corporation. The current agreement may be terminated by the Minister upon 60 days notice to the Corporation. On March 19, 2015, the Corporation signed an amendment to the original contribution agreement to extend funding for an additional three years to March 31, 2018.