

Chapman and Co.
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STETTTLER, ALBERTA

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AUDITOR'S REPORT
ON COMPLIANCE WITH AGREEMENT

TO: WESTERN ECONOMIC DIVERSIFICATION

We have audited the Community Futures East Parkland compliance as at March 31, 2014 with the criteria established in the Contribution Agreement between Western Economic Diversification and East Parkland dated March 31, 2006 as amended to March 31, 2014. Compliance with the criteria established by the provisions of the agreement is the responsibility of the Board of Directors of Community Futures East Parkland.

Our responsibility is to express an opinion on this compliance based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether Community Futures East Parkland 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.

In our opinion, Community Futures East Parkland is in compliance, in all material respects, with the criteria established by the Contribution Agreement.

Stettler, Alberta

July 14, 2014

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PROFESSIONAL ACCOUNTANTS LLP

* Denotes Professional Corporation



COMMUNITY FUTURES EAST PARKLAND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

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INDEPENDENT AUDITOR'S REPORT

TO: The Shareholders
Community Futures East Parkland

Report on the Financial Statements

We have audited the accompanying financial statements of the Community Futures East Parkland which comprise the statement of financial position as at March 31, 2014, and the statements of operations, 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 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 purposes 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 the Community Futures East Parkland as at March 31, 2014, the results of its operations, change in its net financial assets and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Stettler, Alberta

July 14, 2014

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COMMUNITY FUTURES EAST PARKLAND
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2014

A S S E T S

	Investment Funds \$	Operating Funds \$	2014 \$	2013 \$
CURRENT ASSETS				
Cash	1,110,979	710,450	1,821,429	2,127,044
Accounts receivable	50	13,883	13,933	32,929
Prepaid expense and deposits	-	5,349	5,349	42,832
	<u>1,111,029</u>	<u>729,682</u>	<u>1,840,711</u>	<u>2,202,805</u>
PROPERTY AND EQUIPMENT (Notes 2d & 4)				
	-	38,153	38,153	41,191
LONG TERM INVESTMENTS				
Loans receivable (Notes 2c & 5)	3,727,779	-	3,727,779	3,542,913
Loan impairment allowance (Note 5)	(566,185)	-	(566,185)	(600,321)
Canadian Futures Lending and Investment Pool	1,124,453	-	1,124,453	947,594
Investment in private corporation (at cost)	-	30,000	30,000	30,000
	<u>4,286,047</u>	<u>30,000</u>	<u>4,316,047</u>	<u>3,920,186</u>
	<u>5,397,076</u>	<u>797,835</u>	<u>6,194,911</u>	<u>6,164,182</u>

L I A B I L I T I E S A N D F U N D B A L A N C E S

CURRENT LIABILITIES				
Accounts payable and accrued liabilities	-	26,307	26,307	52,065
Current portion of long-term debt	-	4,533	4,533	5,439
	<u>-</u>	<u>30,840</u>	<u>30,840</u>	<u>57,504</u>
DEFERRED CONTRIBUTIONS				
Deferred funding (Note 2e)	-	1,000	1,000	30,285
	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,534</u>
LONG-TERM DEBT (Note 6)				
	-	-	-	4,534
	<u>-</u>	<u>31,840</u>	<u>31,840</u>	<u>92,323</u>
FUND BALANCES				
Invested in property and equipment	-	33,620	33,620	31,218
Repayable investment (Note 7)	1,109,436	-	1,109,436	1,073,683
General investment	4,287,640	-	4,287,640	4,113,925
Accumulated surplus	-	732,375	732,375	853,033
	<u>5,397,076</u>	<u>765,995</u>	<u>6,163,071</u>	<u>6,071,859</u>
	<u>5,397,076</u>	<u>797,835</u>	<u>6,194,911</u>	<u>6,164,182</u>

COMMUNITY FUTURES EAST PARKLAND
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2014

	Total Investment Funds 2014 (SCHEDULE 1) \$	Total Operating Funds 2014 (SCHEDULE 2) \$	2014 TOTAL \$	2013 TOTAL \$
REVENUE				
Government grant funding (note 8)	-	189,092	189,092	294,963
Interest on loan portfolio	215,285	-	215,285	241,468
Other interest	10,826	8,063	18,889	19,461
Economic development projects	-	29,216	29,216	191,147
Donations, fees and sundry	-	1,628	1,628	4,844
	<u>226,111</u>	<u>227,999</u>	<u>454,110</u>	<u>751,883</u>
EXPENSES				
Accounting and audit	-	15,643	15,643	15,631
Advertising and promotion	-	21,261	21,261	7,349
Amortization	-	16,945	16,945	11,950
Bank charges and interest	38	1,269	1,307	1,432
Building repairs and maintenance	-	11,761	11,761	8,045
Consultants and subcontract	921	-	921	-
Economic development projects	-	44,129	44,129	189,545
GST (non-refundable)	-	2,352	2,352	4,379
Insurance	-	4,452	4,452	4,609
Legal and collection costs	1,246	2,669	3,915	3,885
Library, training materials and allowances	-	3,006	3,006	1,325
Loan impairment	14,438	-	14,438	23,445
Loss on disposal of equipment	-	-	-	1,117
Office supplies and postage	-	12,945	12,945	7,128
Registrations	-	2,830	2,830	1,558
Salaries and employee benefits	-	176,319	176,319	147,837
Telephone	-	8,628	8,628	9,618
Travel, automotive and meetings	-	18,875	18,875	11,333
Utilities	-	3,171	3,171	2,955
	<u>16,643</u>	<u>346,255</u>	<u>362,898</u>	<u>453,141</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	209,468	(118,256)	91,212	298,742
FUND BALANCES: BEGINNING OF YEAR	5,187,608	884,251	6,071,859	5,773,117
INTERFUND TRANSFERS	-	-	-	-
FUND BALANCES: END OF YEAR	<u>5,397,076</u>	<u>765,995</u>	<u>6,163,071</u>	<u>6,071,859</u>

COMMUNITY FUTURES EAST PARKLAND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2014

	2014 \$	2013 \$
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenditures (operating fund)	(118,256)	69,585
Items not affecting cash:		
Amortization	16,945	11,950
Loss on disposal of equipment	-	1,117
	(101,311)	82,652
Cash provided from (used in) non cash current items (operating fund)		
Accounts receivable	18,996	1,065
Prepaid expenses	37,483	14,581
Accounts payable and accrued liabilities	(25,758)	(32,772)
Deferred funding	(28,857)	(17,193)
	(99,447)	48,333
FINANCING AND INVESTING ACTIVITIES		
Excess of revenue over expenditures (investment fund)	209,468	229,157
Payments on long-term debt	(5,439)	(5,439)
Property and equipment purchases	(14,336)	-
Proceeds issued on loan portfolio	(790,800)	(871,540)
Principal repayments on loan portfolio (including write offs)	613,006	920,896
Legal and collection costs added to loan portfolio	(7,072)	(23,090)
Increase (decrease) in loan impairment allowance	(34,136)	25,728
Increase in other investments	-	(30,000)
Increase in Canadian Futures Lending and Investment Pool	(176,859)	(22,496)
	(206,168)	223,216
INCREASE (DECREASE) IN CASH FOR THE YEAR	(305,615)	271,549
CASH: BEGINNING OF THE YEAR	2,127,044	1,855,495
CASH: END OF THE YEAR	1,821,429	2,127,044
Represented by:		
OPERATING FUND		
General operating	710,430	828,651
Farm On project	20	20
CARMA project	-	951
	710,450	829,622
INVESTMENT FUND		
General investment	491,027	781,921
Repayable	549,269	505,618
Disability	70,683	9,883
	1,110,979	1,297,422
	1,821,429	2,127,044

COMMUNITY FUTURES EAST PARKLAND
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES
INVESTMENT FUNDS

FOR THE YEAR ENDED MARCH 31, 2014

(SCHEDULE 1)

	Disabled Entrepreneur Investment \$	General Investment \$	Repayable Investment \$	Total Investment Funds 2014 \$	Total Investment Funds 2013 \$
REVENUE					
Interest on loan portfolio	7,175	190,363	17,747	215,285	241,468
Other interest	316	5,335	5,175	10,826	10,343
	<u>7,491</u>	<u>195,698</u>	<u>22,922</u>	<u>226,111</u>	<u>251,811</u>
EXPENSES					
Bank charges and interest	10	28	-	38	-
Consultants and subcontract	-	921	-	921	-
Legal and collection costs (recovery)	-	1,246	-	1,246	(791)
Loan impairment (recovery)	(5,000)	19,788	(350)	14,438	23,445
	<u>(4,990)</u>	<u>21,983</u>	<u>(350)</u>	<u>16,643</u>	<u>22,654</u>
EXCESS OF REVENUES OVER EXPENSES	12,481	173,715	23,272	209,468	229,157
FUND BALANCES: BEGINNING OF YEAR	276,568	4,113,925	797,115	5,187,608	4,958,451
INTERFUND TRANSFERS	-	-	-	-	-
FUND BALANCES: END OF YEAR	<u>289,049</u>	<u>4,287,640</u>	<u>820,387</u>	<u>5,397,076</u>	<u>5,187,608</u>

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COMMUNITY FUTURES EAST PARKLAND
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES
OPERATING FUNDS
FOR THE YEAR ENDED MARCH 31, 2014

(SCHEDULE 2)

	General Operating \$	CARMA \$	FARM ON \$	Total Operating Funds 2014 \$	Total Operating Funds 2013 \$
REVENUE					
Government grant funding (note 8)	189,092	-	-	189,092	294,963
Other interest	8,019	44	-	8,063	9,118
Economic development projects	360	28,856	-	29,216	191,147
Donations, fees and sundry	1,628	-	-	1,628	4,844
	<u>199,099</u>	<u>28,900</u>	<u>-</u>	<u>227,999</u>	<u>500,072</u>
EXPENSES					
Accounting and audit	15,643	-	-	15,643	15,631
Advertising and promotion	21,261	-	-	21,261	7,349
Amortization	16,945	-	-	16,945	11,950
Bank charges and interest	1,269	-	-	1,269	1,432
Building repairs and maintenance	11,761	-	-	11,761	8,045
Economic development projects	15,273	28,856	-	44,129	189,545
GST (non-refundable)	2,352	-	-	2,352	4,379
Insurance	4,452	-	-	4,452	4,609
Legal and collection costs	2,669	-	-	2,669	4,676
Library, training materials and allowances	3,006	-	-	3,006	1,325
Loss on disposal of equipment	-	-	-	-	1,117
Office supplies and postage	12,945	-	-	12,945	7,128
Registrations	2,830	-	-	2,830	1,558
Salaries and employee benefits	176,319	-	-	176,319	147,837
Telephone	8,628	-	-	8,628	9,618
Travel, automotive and meetings	18,875	-	-	18,875	11,333
Utilities	3,171	-	-	3,171	2,955
	<u>317,399</u>	<u>28,856</u>	<u>-</u>	<u>346,255</u>	<u>430,487</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(118,300)	44	-	(118,256)	69,585
FUND BALANCES: BEGINNING OF YEAR	881,513	2,718	20	884,251	814,666
INTERFUND TRANSFERS	2,762	(2,762)	-	-	-
FUND BALANCES: END OF YEAR	<u>765,975</u>	<u>-</u>	<u>20</u>	<u>765,995</u>	<u>884,251</u>

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COMMUNITY FUTURES EAST PARKLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

1. PURPOSE OF THE CORPORATION

Community Futures East Parkland is an organization incorporated under the statutes of the Province of Alberta. The Government of Canada, through the Department of Western Economic Diversification, provides financial assistance to the Corporation. The purpose of the Corporation is to support community economic development, diversify the economy, support the creation and expansion of small and medium size enterprises, maintain and create new employment and provide business services to the communities in its rural region.

The corporation is controlled by a local volunteer Board of Directors and is a not-for-profit Corporation and as such is exempt from income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Use of Estimates

The preparation of financial statements in accordance 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 at the date of the financial statements and the 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. An example where significant estimates are required is in the determination of loan impairment allowance and bad debt expense.

b) Restricted Fund Method of Accounting

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

The General Operating fund encompasses the day-to-day administration of the corporation. All general operating expenses and unrestricted contributions and resources are recorded in this fund.

The Investment fund activities are limited to the services provided to small businesses in the form of loans, loan guarantees, and equity participation to promote new business or the expansion of existing business. Investment funds are further segregated into repayable and non-repayable.

In addition to the primary lending function, the corporation administers a number of restricted programs including the following:

- (i) **Entrepreneurs with Disabilities Program** - This program provides business loans and supporting services to individuals with disabilities.
- (ii) **Economic Development Opportunities** - The organization is involved in certain community economic development projects with primary funding provided through Western Economic Diversification and other funding agencies.

c) Long-Term Investments

The Corporation records loans to clients at the lower of principal plus accrued interest and net realizable value. Loans are evaluated on a specific account basis to determine net realizable value including estimating the fair value of security underlying the loans, net of the expected costs of realization.

COMMUNITY FUTURES EAST PARKLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

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2. SIGNIFICANT ACCOUNTING POLICIES – continued

c) Long-Term Investments (continued)

The investment in Canadian Futures Lending and Investment Pool and the investment in the private corporation are recorded at amortized cost.

d) Amortization

Amortization is provided for using the following annual rate and methods:

Office furniture and equipment	20% declining balance
Computer equipment	30% declining balance
Computer software	100% declining balance
Building and office renovations	15 years straight line
Automotive	30% declining balance

Current year additions are amortized at one-half the normal rates.

e) Revenue Recognition

Restricted government grant contributions related to general operations are recognized as revenue of the general operating fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund in the period in which it relates.

Unrestricted government grant contributions are recognized as revenue in the general operating fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonable assured.

Restricted contributions received for the purchase of property and equipment are deferred and recognized as a reduction to amortization expense calculated on the same basis as the acquired property and equipment are amortized as outlined in d) above.

f) Financial Instruments

The loan portfolio is recorded at the originating amounts net of an allowance for loan impairment as outlined in c) above. Any adjustment in the fair value on fixed rate loans resulting from changes in the interest rates has not been reflected in the financial statements. The fair values of cash, accounts receivable, and accounts payable approximate their carrying value due to the short-term nature of these assets.

3. SHARE CAPITAL ISSUED

One share is issued to each active director for nominal proceeds of \$1 each. The shares are for voting purposes only and have no right to resale or dividends.

COMMUNITY FUTURES EAST PARKLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

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4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2014 \$	2013 \$
Land	3,000	3,000
Building and renovations	103,019	103,019
Computer equipment and software	35,219	20,883
Office furniture and equipment	19,464	19,464
Automotive	<u>26,552</u>	<u>26,552</u>
 Total cost	 187,254	 172,918
Less: accumulated amortization	<u>(149,101)</u>	<u>(131,727)</u>
 Net book value	 <u>38,153</u>	 <u>41,191</u>

5. LOANS RECEIVABLE

Loans receivable consist of outstanding investment loans to entrepreneurs as follows:

	Loan Amount \$	Impairment Allowance \$	Net \$
General Investment	3,442,828	(560,725)	2,882,103
Repayable Investment	259,652	(5,460)	254,192
Disabled Entrepreneur	<u>25,299</u>	<u>(-)</u>	<u>25,299</u>
	<u>3,727,779</u>	<u>(566,185)</u>	<u>3,161,594</u>

As at March 31, 2014 there were 66 loans outstanding (2013 - 61). The total loan impairment allowance includes 10 loans (2013 - 12).

6. LONG-TERM DEBT

Long-term debt consists of the following:

	2014 \$	2013 \$
Finance contract, payable \$453 monthly including interest at 0%	4,533	9,973
Less: current portion	<u>4,533</u>	<u>5,439</u>
	<u>-</u>	<u>4,534</u>

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COMMUNITY FUTURES EAST PARKLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

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7. REPAYABLE INVESTMENT FUNDS

The corporation is party to a funding agreement with Western Economic Diversification (WED). As part of this funding agreement the funds may be required to be repaid to WED if the corporation does not adhere to certain terms and conditions of the agreement. Alternatively, the funds may become repayable if the Minister determines, based on reviews and evaluations, that the program is not providing a satisfactory level of economic benefits.

The repayable investment funds are comprised of the following:

	Repayable \$	Disability \$	Total \$
Original WED contributions	450,000	200,000	650,000
Cumulative net interest	544,347	124,552	668,899
Cumulative loan impairment	<u>(173,960)</u>	<u>(35,503)</u>	<u>(209,463)</u>
	<u>820,387</u>	<u>289,049</u>	<u>1,109,436</u>

8. ECONOMIC DEPENDENCE

The Corporation receives a substantial portion of its operating revenues from the federal government and is economically dependent upon it.

9. COMMITMENTS

The Corporation has entered into an annual service agreement of \$2,500 that will be terminated in June 2015.

10. COMPARATIVE FIGURES

Wherever necessary, the comparative year figures have been restated to conform to the current year's presentation.