

**Community Futures  
Grande Prairie & Region  
Financial Statements  
For the year ended March 31, 2017**

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**Community Futures Grande Prairie & Region**  
**Financial Statements**  
March 31, 2017

**Contents**

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<b>Auditors' Report</b>	<b>2</b>
<b>Financial Statements</b>	
Statement of Financial Position - Combined	<b>3</b>
Statement of Changes in Fund Balances - Combined	<b>4</b>
Statement of Financial Position - Operating Fund	<b>5</b>
Statement of Changes in Fund Balances - Operating Fund	<b>6</b>
Statement of Financial Position - Investment Fund	<b>7</b>
Statement of Changes in Fund Balances - Investment Fund	<b>8</b>
Statement of Operations - Operating Fund	<b>9</b>
Statement of Operations - Investment Fund	<b>10</b>
Statement of Cash Flows	<b>11</b>
Notes to the Financial Statements	<b>12 - 20</b>
Schedule of General and Administrative Expenses - Operating Fund	<b>21</b>



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## Independent Auditors' Report

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To the Board of Directors of Community Futures Grande Prairie & Region

### Report on the Financial Statements

We have audited the accompanying financial statements of Community Futures Grande Prairie & Region, which comprise the statements of financial position as at March 31, 2017, and the statements of changes in fund balances, statements of operations and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management of Community Futures Grande Prairie & Region based on the financial reporting provisions of Western Economic Diversification as described in Note 1.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Western Economic Diversification as described in Note 1, 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.

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### Auditors' 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 auditors' 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 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 Community Futures Grande Prairie & Region as at March 31, 2017 and the results of its operations and its cash flows for the year then ended in accordance with the financial reporting provisions of Western Economic Diversification as described in Note 1.

### Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 to the financial statements which describes the basis of accounting. The financial statement is prepared to assist Community Futures Grande Prairie & Region to meet the requirements of Western Economic Diversification. As a result, the financial statements may not be suitable for another purpose.

*BDO Canada LLP*

Chartered Professional Accountants

Grande Prairie, Alberta  
July 18, 2017

**Community Futures Grande Prairie & Region  
Statement of Financial Position - Combined**

March 31	2017			2016
	Operating Fund	Investment Fund	Total	Restated (Note 16) Total
<b>Assets</b>				
<b>Current</b>				
Cash (Note 2)	\$ 36,701	\$ 363,717	\$ 400,418	\$ 498,610
Loan security deposits (Note 3)	-	100,000	100,000	247,000
Accounts receivable	24,461	-	24,461	24,879
Accrued interest receivable (Note 4)	-	82,326	82,326	69,482
Other receivables	-	4,844	4,844	51,314
Prepaid expenses	-	-	-	5,497
Interfund receivable	-	31,160	31,160	50
	<u>61,162</u>	<u>582,047</u>	<u>643,209</u>	<u>896,832</u>
Due from related party (Note 6)	-	14,342	14,342	-
Loans receivable (Note 5)	-	6,369,758	6,369,758	6,972,203
Long-term investments (Note 6)	-	258,005	258,005	247,935
Capital assets (Note 8)	44,295	-	44,295	5,416
	<u>\$ 105,457</u>	<u>\$ 7,224,152</u>	<u>\$ 7,329,609</u>	<u>\$ 8,122,386</u>

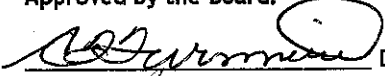
**Liabilities**


<b>Current</b>				
Revolving loan (Note 9)	\$ -	\$ 4,400,000	\$ 4,400,000	\$ 4,400,000
Accounts payable and accrued liabilities	37,106	26,347	63,453	41,036
Interfund payable	31,160	-	31,160	50
Deferred revenue (Note 10)	97,188	-	97,188	49,005
Lease incentive	44,380	-	44,380	-
	<u>209,834</u>	<u>4,426,347</u>	<u>4,636,181</u>	<u>4,490,091</u>

**Net Assets**

Fund balances	<u>(104,377)</u>	<u>2,797,805</u>	<u>2,693,428</u>	<u>3,632,295</u>
	<u>\$ 105,457</u>	<u>\$ 7,224,152</u>	<u>\$ 7,329,609</u>	<u>\$ 8,122,386</u>

Approved by the Board:

 Director

 Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**Community Futures Grande Prairie & Region  
Statement of Changes in Fund Balances - Combined**

**For the year ended March 31, 2017**

	Operating Fund		Investment	Total
	Capital	Unrestricted	Fund	
<b>Balance, beginning of year</b>				
As previously stated	\$ 5,416	\$ (25,573)	\$ 3,455,685	\$ 3,435,530
Correction of prior period error (Note 16)	-	-	196,765	196,765
As restated	5,416	(25,573)	3,652,450	3,632,295
Excess (deficiency) of revenue over expenses for the year	-	(161,907)	(776,958)	(938,866)
Purchase of capital assets	44,652	(44,652)	-	-
Disposal of capital assets, net book value	(1,707)	1,707	-	-
Amortization	(4,066)	4,066	-	-
Transfers (Note 12)	-	77,687	(77,687)	-
<b>Balance, end of year</b>	<b>\$ 44,295</b>	<b>\$ (148,672)</b>	<b>\$ 2,797,805</b>	<b>\$ 2,693,429</b>

**For the year ended March 31, 2016**

	Operating Fund		Investment	Total
	Capital	Unrestricted	Fund	
<b>Balance, beginning of year</b>				
As previously stated	\$ 7,199	\$ 37,018	\$ 4,068,726	\$ 4,112,943
Correction of prior period error (Note 16)	-	-	216,955	216,955
As restated	7,199	37,018	4,285,681	4,329,898
Excess (deficiency) of revenue over expenses for the year	-	(197,123)	(500,481)	(697,603)
Disposal of capital assets, net book value	(185)	185	-	-
Amortization	(1,598)	1,598	-	-
Transfers (Note 12)	-	132,749	(132,749)	-
<b>Balance, end of year</b>	<b>\$ 5,416</b>	<b>\$ (25,573)</b>	<b>\$ 3,652,451</b>	<b>\$ 3,632,295</b>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**Community Futures Grande Prairie & Region**  
**Statement of Financial Position - Operating Fund**

**March 31** **2017** **2016**

**Assets**

<b>Current</b>			
Cash	\$	36,701	\$ 34,143
Accounts receivable		24,461	24,879
Prepaid expenses		-	5,496
		61,162	64,518
<b>Capital assets (Note 8)</b>		44,295	5,416
	<b>\$</b>	<b>105,457</b>	<b>\$ 69,934</b>

**Liabilities**

<b>Current</b>			
Accounts payable and accrued liabilities	\$	37,106	\$ 41,036
Lease incentive		44,380	-
Due to Investment Fund		31,160	50
Deferred revenue (Note 10)		97,188	49,005
		209,834	90,091

**Net Assets**

<b>Fund balances</b>			
Unrestricted		(148,672)	(25,573)
Capital		44,295	5,416
		(104,377)	(20,157)
	<b>\$</b>	<b>105,457</b>	<b>\$ 69,934</b>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**Community Futures Grande Prairie & Region  
Statement of Changes in Fund Balances - Operating Fund**

**For the year ended March 31** **2017** **2016**

**Unrestricted Fund Balance**

Balance, beginning of year	\$	(25,573)	\$	37,018
Deficiency of revenue over expenses		(161,907)		(197,123)
Transfer from investment fund (Note 12)		77,687		132,749
Transfer of net operating funds invested in capital assets		(38,879)		1,783
<b>Balance, end of year</b>	<b>\$</b>	<b>(148,672)</b>	<b>\$</b>	<b>(25,573)</b>

**Capital Fund Balance**

Balance, beginning of year	\$	5,416	\$	7,199
Amortization		(4,066)		(1,598)
Purchase of capital assets		44,652		-
Net book value on disposal of capital assets		(1,707)		(185)
<b>Balance, end of year</b>	<b>\$</b>	<b>44,295</b>	<b>\$</b>	<b>5,416</b>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**Community Futures Grande Prairie & Region**  
**Statement of Financial Position - Investment Fund**

	2017		2016
	March 31		
	Regular Non-Repayable	Regular Repayable	Disabled Repayable
			Total
			Restated (Note 16) Total
<b>Assets</b>			
Current			
Cash	\$ 1,222,016	\$ (861,834)	\$ 363,717
Loan security deposits (Note 3)	100,000	-	100,000
Accrued interest receivable (Note 4)	71,645	8,792	82,326
Other receivables	4,393	451	4,844
Due from Operating Fund	31,160	-	31,160
Interfund receivable (payable)	814,900	(815,486)	586
	2,244,114	(1,668,077)	582,047
Due from related party (Note 6)	14,342	-	14,342
Loans receivable (Note 5)	4,985,870	1,181,397	6,369,758
Long-term investments (Note 6)	258,005	-	258,005
	\$ 7,502,331	\$ (486,680)	\$ 7,224,152
			\$ 8,052,451
<b>Liabilities</b>			
Current			
Revolving loan (Note 9)	\$ 4,400,000	\$ -	\$ 4,400,000
Accounts payable	26,347	-	26,347
	4,426,347	-	4,426,347
<b>Net Assets</b>			
Fund balances			
Investment Fund	3,075,984	(486,680)	2,797,805
	\$ 7,502,331	\$ (486,680)	\$ 7,224,152
			\$ 8,052,451

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.



**Community Futures Grande Prairie & Region**  
**Statement of Changes in Fund Balances - Investment Fund**

	2017		2016	
	Regular Non-Repayable	Regular Repayable	Disabled Repayable	Total
<b>For the year ended March 31</b>				
Balance, beginning of year	\$ 3,576,738	\$ (244,130)	\$ 123,077	\$ 3,455,685
As previously stated	-	89,517	107,248	196,765
Correction of prior period error (Note 16)				216,955
As restated	3,576,738	(154,613)	230,325	3,652,450
Excess of revenue over expenses for the year	(423,067)	(332,067)	(21,824)	(776,958)
Transfer to operating fund (Note 12)	(77,687)	-	-	(132,749)
<b>Balance, end of year</b>	<b>\$ 3,075,984</b>	<b>\$ (486,680)</b>	<b>\$ 208,501</b>	<b>\$ 2,797,805</b>
				<b>\$ 3,652,451</b>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**Community Futures Grande Prairie & Region**  
**Statement of Operations - Operating Fund**

<b>For the year ended March 31</b>	<b>2017</b>	<b>2016</b>
<b>Revenue</b>		
Business Coaching Revenue	\$ -	\$ 10,000
Business Incubator Program	12,382	-
Workforce Scan Project	25,500	-
Career Practitioner Program	-	28,270
Contributions from federal government	308,493	308,493
The Tech Project Revenue	24,674	-
Growing the North Conference	11,850	-
Other - projects and services	53,031	43,714
Rent	19,318	22,053
Business Visitation Revenue	50,000	-
	<b>505,248</b>	<b>412,530</b>
<b>Expenses</b>		
General and administrative (Schedule)	\$ 667,155	\$ 609,653
	<b>\$ (161,907)</b>	<b>\$ (197,123)</b>
<b>Deficiency of revenue over expenses</b>	<b>\$ (161,907)</b>	<b>\$ (197,123)</b>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**Community Futures Grande Prairie & Region**  
**Statement of Operations - Investment Fund**

	2017		2016		Restated (Note 16) Total
	For the year ended March 31				
	Regular Non-Repayable	Regular Repayable	Disabled Repayable	Total	
<b>Revenue</b>					
Interest and fees	\$ 494,708	\$ 81,447	\$ 17,476	\$ 593,631	\$ 642,727
Investment income and bank interest	1,329	1,329	1,329	3,987	6,054
Dividend income	14,342	-	-	14,342	-
	<b>510,379</b>	<b>82,776</b>	<b>18,805</b>	<b>611,960</b>	<b>\$ 648,781</b>
<b>Expenses</b>					
Bad debts - interest receivable (Note 7)	57,920	7,273	-	65,193	103,236
Bad debts - loans receivable (Note 7)	821,097	366,941	-	1,188,038	605,204
Bank charges and other	1,109	1,109	1,109	3,327	2,297
Collection	3,774	-	-	3,774	8,025
Revolving loan interest	39,520	39,520	39,520	118,560	103,725
	<b>923,420</b>	<b>414,843</b>	<b>40,629</b>	<b>1,378,892</b>	<b>822,487</b>
<b>Deficiency of revenue over expenses before the undernoted</b>	<b>(413,041)</b>	<b>(332,067)</b>	<b>(21,824)</b>	<b>(766,932)</b>	<b>(173,706)</b>
<b>Impairment loss on investments (Notes 6 and 7)</b>	<b>(10,026)</b>	<b>-</b>	<b>-</b>	<b>(10,026)</b>	<b>(326,775)</b>
<b>Deficiency of revenue over expenses</b>	<b>\$ (423,067)</b>	<b>\$ (332,067)</b>	<b>\$ (21,824)</b>	<b>\$ (776,958)</b>	<b>\$ (500,481)</b>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**Community Futures Grande Prairie & Region**  
Statement of Cash Flows

Financing and Investing Activities  
Loan Investment Fund

For the year ended March 31	Operating Fund	Non-Repayable	Repayable	Disabled	Total 2017	Total 2016
<b>Operating activities</b>						
Cash received from government contracts	\$ 481,082	-	-	-	\$ 481,082	\$ 389,874
Cash received from other revenue	72,767	-	-	-	72,767	62,900
Loans advanced, net	-	548,705	191,087	9,652	749,444	(884,943)
Cash paid to suppliers for goods and services	(570,354)	(798,524)	(366,941)	-	(1,735,819)	(1,068,660)
Interest received	-	348,694	86,790	21,770	457,254	298,744
Interest paid	(2,676)	(40,629)	(40,629)	(40,629)	(124,563)	(106,020)
	(19,181)	58,246	(129,693)	(9,207)	(99,835)	(1,308,105)
<b>Financing activities</b>						
Transfer (to) from other funds	31,110	(124,453)	84,833	39,621	31,111	(5,407)
Revolving loan proceeds	-	-	-	-	-	1,660,000
	31,110	(124,453)	84,833	39,621	31,111	1,654,593
<b>Investing activities</b>						
Purchase of capital assets	(10,250)	-	-	-	(10,250)	-
Proceeds from disposal of capital assets	879	-	-	-	879	-
Equity investments	-	(20,096)	-	-	(20,096)	(150,090)
	(9,371)	(20,096)	-	-	(29,467)	(150,090)
<b>Net change in cash</b>	2,558	(86,303)	(44,860)	30,414	(98,191)	196,488
<b>Cash, beginning of year</b>	34,143	1,308,319	(816,974)	(26,879)	498,609	302,122
<b>Cash, end of year</b>	\$ 36,701	\$ 1,222,016	\$ (861,834)	\$ 3,535	\$ 400,418	\$ 498,610

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

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# Community Futures Grande Prairie & Region

## Notes to the Financial Statements

March 31, 2017

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### 1. Summary of Significant Accounting Policies

#### (a) Purpose of the Organization

Community Futures Grande Prairie & Region has a mandate to increase economic and social well-being throughout the region by assisting, supporting and investing in small business. The main focus is to maximize job creation and maintenance by providing small business consulting services and management of an investment fund. Community Futures Grande Prairie & Region is exempt from income taxes under Section 149 of the Income Tax Act.

#### (b) Basis of Accounting

These statements are prepared on an accrual basis of accounting using Canadian accounting standards for not-for-profit organizations as the underlying basis of accounting. As required by Western Economic Diversification, the Organization follows Canadian accounting standards for not-for-profit organizations except with regards to the initial measurement of financial instruments. Accounting for the investment funds payable to Western Economic Diversification is as described in Note 11.

#### (c) Management 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 amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates made by management include the valuation provision for accrued interest, loans in arrears and the valuation of investments (Note 7). Actual results could differ from management's best estimates as additional information becomes available in the future.

#### (d) Financial Instruments

The Organization initially measures its financial assets and liabilities at cost adjusted by the amount of transaction costs directly attributable to the instrument. Amounts due to and from related parties are measured at the exchange amount, being the amount agreed on by the related parties.

The Organization subsequently measures its financial assets and financial liabilities at amortized cost, except for derivatives and equity securities quoted in an active market, which are subsequently measured at fair value. Changes in fair value are recognized in operations.

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in operations.

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## Community Futures Grande Prairie & Region Notes to the Financial Statements

March 31, 2017

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(e) Funding Accounting

Community Futures Grande Prairie & Region follows the restricted fund method of accounting for contributions. The Operating Fund accounts for the Organization's operating costs and general revenues. This fund reports unrestricted resources and restricted operating grants.

The Investment Fund reports externally 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.

The non-repayable funds are not conditionally repayable to Western Economic Diversification. These funds represent the year over year growth of initial dollars that were invested by the Federal Government for the purposes of providing financial assistance to individuals or companies planning to start, grow or purchase a business in the Grande Prairie Region. The repayable fund represents funds that are conditional repayable to Western Economic Diversification as described in Note 11.

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(f) Long-term Investments

The long-term investments that are subject to significant influence are accounted for using the equity method.

Investments that are not subject to significant influence are recorded at cost.

A provision is made for impairment in value when there is a significant adverse change in the expected timing or amount of future cash flows associated with the investment.

(g) Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization is recorded on the diminishing balance basis at rates designed to amortize the cost of the capital assets over their estimated useful lives. Amortization rates are as follows:

Furniture and fixtures	20 %
Computer equipment	30 %
Computer software	100 %
Leasehold improvements	5 year straight line

(h) Contributed Services

Volunteers contribute many hours annually to assist Community Futures Grande Prairie & Region in carrying out specific program activities. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

(i) Leased Assets

Leases entered into that transfer substantially all the benefits and risks associated with ownership are recorded as the acquisition of a capital asset and the incurrence of an obligation. The obligation, including interest thereon, is liquidated over the term of the lease. All other leases are accounted for as operating leases and the rental costs are expensed as incurred.

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## Community Futures Grande Prairie & Region Notes to the Financial Statements

March 31, 2017

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(j) Impairment of Long-Lived Assets

If events or circumstances indicate that the carrying value of any long-lived asset may be impaired, a recoverability analysis is performed based upon estimated undiscounted cash flows to be generated by the long-lived asset. If the analysis indicates that the carrying value is not recoverable from future cash flows, the asset is written down to estimated fair value and an impairment loss is recognized.

(k) Revenue Recognition

The Organization recognizes operating fund revenue when earned based on the terms of the agreements. Deferred revenue consists of funds received under such agreements for which the related expenses have not been incurred. They will be recognized as revenue in the year in which the related expenses are incurred.

Interest revenue is recorded when the amount to be received can be reasonably estimated and collection is reasonably assured.

## Community Futures Grande Prairie & Region Notes to the Financial Statements

March 31, 2017

### 2. Cash

The Organization's operating fund cash balance is made up of the following items :

	2017	2016
Cash restricted for use in specific programs (Note 10)	97,188	49,006
Unrestricted cash operations	\$ (60,487)	\$ (14,981)
Net cash position	\$ 36,701	\$ 34,025

### 3. Loan Security Deposits

The Organization's term deposits consist of the following :

	2017	2016
Loan security deposits consisting of a Guaranteed Investment Certificate bearing interest at 0.65% per annum and maturing in July 2017	\$ 100,000	\$ -
Loan security deposits, matured during the year	-	247,000
Total loan security deposits	\$ 100,000	\$ 247,000

The loan security deposits are related to customers who needed to obtain a loan from another lending institution. The purpose of these loan guarantees is to provide confidence to the external lender that, in the event that the customer defaults on the loan, Community Futures Grande Prairie & Region will repay the loan. The security deposits are separated into current and long-term portions based on the expiration dates of the underlying guarantees.

### 4. Accrued Interest Receivable

Accrued interest receivable is the interest that has been earned but not yet received by the organization. This is a current asset as it is expected to be received within one fiscal year and is summarized as follows:

	Regular Non-Repayable	Regular Repayable	Disabled Repayable	2017 Total	2016 Total
Accrued Interest	\$ 182,852	\$ 66,015	\$ 1,889	\$ 250,756	\$ 172,718
Accrued interest on loans included in valuation provision (Notes 5 and 7)	(111,207)	(57,223)	-	(168,430)	(103,236)
	\$ 71,645	\$ 8,792	\$ 1,889	\$ 82,326	\$ 69,482



## Community Futures Grande Prairie & Region Notes to the Financial Statements

March 31, 2017

### 5. Loans Receivable

Loans receivable are classified as long-term assets. No current portion has been set up as it is difficult to estimate the amount that can be reasonably considered to be collectible within a one-year period. Loans bear interest at fixed rates from 3% to 10%. Fixed rate loans are subject to interest rate risk as the value of the loans will fluctuate based on changes in market interest rates. Loans receivable, consisting of loans to businesses, have varying maturity dates ranging from May 2017 to June 2027. Substantially all loans require monthly, bi-weekly or weekly repayments. An valuation provision has been set up for the entire loan balance of all loans determined to be impaired. The three loan categories are summarized as follows:

	Regular Non-Repayable	Regular Repayable	Disabled Repayable	2017 Total	2016 Total
Loan portfolio	\$ 5,775,366	\$ 1,509,698	\$ 202,491	\$ 7,487,555	\$ 8,244,339
Valuation provision	(789,496)	(328,301)	-	(1,117,797)	(1,272,136)
	<b>\$ 4,985,870</b>	<b>\$ 1,181,397</b>	<b>\$ 202,491</b>	<b>\$ 6,369,758</b>	<b>\$ 6,972,203</b>

There are securities held against the loans advanced to all the borrowers. Generally the securities include borrowers' personal and/or company assets, and there is always a continuing personal guarantee from the shareholders for all the loans.

### 6. Long-term Investments

Long-term investments are comprised of the following:

	2017	2016
Liquid Chicks Inc.		
Cost	\$ 150,000	\$ 150,000
Less valuation provision (Note 7)	(150,000)	(150,000)
Elevated Robotic Services Ltd.		
Cost	120,000	120,000
Share of deficit	(11,995)	(22,065)
Blackout Rental Services Ltd.		
Cost	40	40
Blackout Rental Services Ltd. loan, unsecured, non-interest bearing, with no specific terms of repayment	149,960	149,960
Blackout Rental Services Ltd. loan, secured by a general security agreement, non-interest bearing, with no specific terms of repayment	154,710	154,710
Blackout Rental Services Ltd. loan, secured by a general security agreement, non-interest bearing, with no specific terms of repayment	20,096	-
Less valuation provision (Note 7)	(324,806)	(304,710)
GP Brewing Co. Ltd.	\$ 150,000	\$ 150,000
	<b>\$ 258,005</b>	<b>\$ 247,935</b>

## Community Futures Grande Prairie & Region Notes to the Financial Statements

March 31, 2017

### 6. Long-term Investments (cont.)

In the 2014 fiscal year, Community Futures Grande Prairie and Region purchased 100% of the Class B shares representing a 40% voting interest in Liquid Chicks Inc. for \$150,000. This investment is subject to significant influence. Once the shares were issued, a corporate resolution was passed by Liquid Chicks Inc. to reduce the stated capital of the 40 class B voting shares to \$1 per share (\$40). In the 2015 fiscal year, the investment in Liquid Chicks Inc. was written down to its expected net realizable value.

In the 2015 fiscal year, Community Futures Grande Prairie and Region purchased 54 of the 154 Class A shares representing a 35.065% voting interest in Elevated Robotic Services Ltd. for \$120,000. This investment is subject to significant influence. In the 2015 and 2016 fiscal years combined, Elevated Robotics Services Ltd. operated at a net loss. Community Futures Grande Prairie & Region's share of this loss has reduced the value of the investment. During the 2016 fiscal year for Elevated Robotic Services Ltd., a dividend was declared for \$40,900. The Organization's portion of that dividend is held in the due from related party account.

In the 2015 fiscal year, Community Futures Grande Prairie and Region purchased 40% of the Class A shares representing a 40% voting interest in Blackout Rental Services Ltd. for \$40. This investment is subject to significant influence. In the 2016 and 2017 fiscal year, the investment in Blackout Rental Services Ltd. was written down to its net realizable value.

In the 2016 fiscal year, Community Futures Grande Prairie and Region purchased 15 of the 275 Class A shares representing a 5% voting interest in GP Brewing Co. Ltd. for \$150,000. Subsequently, GP Brewing issued an additional 125 shares, reducing Community Futures Grande Prairie & Region's voting interest to 3.75%.

### 7. Valuation Provisions

Community Futures Grande Prairie and Region makes loans to and investments in small businesses including start up companies and other companies subject to high credit risk. Management periodically reviews the status of these loans and investments including identifying payments in arrears, available security, financial results of the company, current economic trends, and other relevant available information when making a judgment to evaluate the adequacy of the valuation provision for loan and investment losses.

Depending on circumstances, actual results could vary significantly from these estimates.

### 8. Capital Assets

	2017		2016	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and fixtures	\$ 30,912	\$ 20,765	\$ 42,302	\$ 38,250
Computer equipment	13,361	12,468	18,624	17,260
Computer software	7,790	7,790	7,790	7,790
Leasehold improvements	34,402	1,147	102,131	102,131
	<u>\$ 86,465</u>	<u>\$ 42,170</u>	<u>\$ 170,847</u>	<u>\$ 165,431</u>
Net book value		<u>\$ 44,295</u>		<u>\$ 5,416</u>

## Community Futures Grande Prairie & Region Notes to the Financial Statements

March 31, 2017

### 9. Revolving Loan

	2017	2016
Loan payable to CFNA	\$ 4,400,000	\$ 4,400,000

The loan has a stated interest rate of the RBC prime rate and is secured by a promissory note and a general security agreement covering all assets of the Organization. The maximum loan amount available is \$4,400,000. The loan is payable on demand and matures in November 2018. Interest payments are made monthly, with the entire principal amount being paid in November of 2018.

#### Interest rate risk

Floating rate debt is subject to interest rate cash flow risk, as the required cash flows to service debt will fluctuate as a result of changes in market interest rate.

#### Liquidity risk

Liquidity risk is the risk that the Organization will encounter difficulty in meeting its obligations to creditors. The Organization is subject to this risk in that when the revolving loan becomes due in 2018, it will need to repay this balance or obtain alternate financing. The majority of the Organization's assets are tied up in loans and equity investments which are not easily liquidated should the need arise. The Organization is subject to interest rate risk on its loans receivable (Note 5) and revolving loan. Were interest rates to increase significantly, the Organization would not experience a higher rate of return on the loans receivable in the short term as they are at fixed interest rates. However, the cash flows associated with servicing the revolving loan would increase. This would contribute to the risk that the Organization would encounter difficulty meeting its obligations as they became due.

#### Economic dependence

The Organization is economically dependent on CFNA to not demand repayment of the loan.

### 10. Deferred Revenue

Deferred revenue is comprised of the following:

	2017	2016
Northern Alberta Youth Entrepreneurship Camp	\$ 23,297	\$ 23,297
LMPP BVP Workforce Scan Project	25,500	-
The Tech Project	22,683	-
WED Grant	25,708	25,708
	\$ 97,188	\$ 49,005

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## Community Futures Grande Prairie & Region Notes to the Financial Statements

March 31, 2017

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### 11. Investment Funds Payable

The regular repayable and disabled repayable net assets include the following restricted funds:

- a) The Government of Canada, Western Economic Diversification, has made past contributions totaling \$200,000 to the Disabled Entrepreneur Investment Fund.
- b) The Government of Canada, Western Economic Diversification, has made past contributions totaling \$700,000 to the Regular Repayable Investment Fund.

Under the agreement with the Government of Canada, these two investment funds are conditionally repayable in the event that any of the following conditions occur:

- 1) the funds are not administered according to the terms and conditions specified in the agreement;
- 2) the funds are not providing a satisfactory level of benefits in terms of employment creation, the development of community-owned or controlled businesses, and strengthening of the western Canadian economy;
- 3) in the opinion of the Minister, the funds are no longer necessary or relevant to the development of the western Canadian economy;
- 4) the agreement is terminated per the termination specifications in the agreement;
- 5) an event of default occurs as described in the agreement; or
- 6) the Minister does not approve terms and conditions to extend the project beyond March 31, 2018.

Upon notice by the Minister, the Corporation agrees to immediately

- 1) repay the lessor of:
  - i) the uncommitted cash balance of the Conditionally Repayable Investment Fund, or
  - ii) the total amount paid by Western Diversification to the Corporation for the establishment and maintenance of the Conditionally Repayable Investment Fund;
- 2) take steps to assign all of its interest in all debts owing to it, to the Minister; and
- 3) liquidate all debts owing to it via sale to a third party satisfactory to the Minister and to remit the proceeds of liquidation to the Minister.

The amount repaid under 1 through 3 above are limited to the total amounts paid by Western Diversification to the Corporation for the establishment and maintenance of the Conditionally Repayable Investment Fund

It is managements position that none of the conditions noted above existed as at the year ended March 31, 2017.

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### 12. Inter-fund Transfers

Transfers authorized by the Board of Directors were \$77,687 (2016 - \$132,749) from the Non-Repayable Regular Investment Fund to the Operating Fund to be used to cover operating expenditures. The Organization submitted a request to Western Economic Diversification and approval was received during the year.

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## Community Futures Grande Prairie & Region Notes to the Financial Statements

March 31, 2017

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### 13. Funding

Community Futures Grande Prairie & Region has been formally re-selected as a Community Futures Project by the Department of Western Economic Diversification. Community Futures Grande Prairie & Region has contracts in place for funding until March 31, 2018. Contracts for renewal are approved annually upon review of operations.

In the event that Community Futures Grande Prairie & Region's contract is not renewed, Community Futures Grande Prairie & Region may cease operations and its loan portfolio will be transferred to another agency.

There were two instances during the 2017 year where individual SME's (Small and Medium-Sized Enterprises) had amounts greater than \$150,000 outstanding. These instances resulted in Community Futures Grande Prairie and Region being non-compliant with the contract as at March 31, 2017.

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### 14. Economic Dependence

The Organization received 68% of its operating grant revenue from the federal department of Western Economic Diversification and the remainder by way of outside contracts. If Western Economic Diversification were to significantly alter their funding arrangement with the organization, it would have a material impact on the Organization's ongoing operations.

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### 15. Commitments

The Organization has entered into a five year lease for its current premises. The estimated amounts that the Organization has committed to paying are as follows:

2018	\$	131,653
2019		144,423
2020		148,680
2021		149,531
2022		128,157
	<u>\$</u>	<u>702,444</u>

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### 16. Prior Period Adjustment

The comparative figures on the combined statement of changes in financial position and the Investment Fund statement of financial position have been corrected to recognize that restricted investment funds contributions from WED should be recorded as equity rather than a liability under the restricted fund accounting method. Accordingly, the \$196,765 presented as investment funds payable in the prior year have been added to the investment fund balance for the year. The opening investment fund balance has been increased by \$216,955 representing the investment fund payable balance as at March 31, 2015.

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### 17. Comparative Figures

Certain comparative figures have been reclassified in order to conform with the current year financial presentation.

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**Community Futures Grande Prairie & Region**  
**Schedule of General and Administrative Expenses - Operating Fund**

For the year ended March 31	2017	2016
Amortization	\$ 4,066	\$ 1,598
Advertising	3,424	2,075
Bad debts	9,764	-
Bank charges	2,676	3,179
Books and publications	176	198
Career Practitioner project	-	33,233
CEDO and special projects:		
- Business Coaching Expense	-	9,000
- Taste of the Peace	5,000	-
- Business Incubator	-	17
- Business Visitation Program Expense	13,989	-
- Growing the North Conference	8,956	-
- Seminars	25,915	13,005
- The Tech Project Expense	24,674	-
- Workforce Scan Project Expense	5,500	-
Consulting fees	93,383	68,333
Credit investigation	2,692	4,710
Equipment rental	13,087	14,496
Insurance	3,916	3,774
Loss on disposal of equipment	830	183
Moving expenses	5,449	-
Office	11,284	7,945
Postage and freight	2,128	1,504
Professional fees	32,279	33,875
Rent	74,775	68,219
Repairs and maintenance	11,407	12,975
Telephone	12,366	16,296
Travel and conferences:		
- board travel	5,131	6,966
- staff travel	22,423	26,343
- conference and training	2,856	2,768
Wages and benefits	269,009	278,962
	<b>\$ 667,155</b>	<b>\$ 609,653</b>