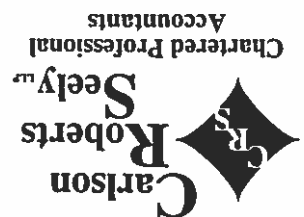


COMMUNITY FUTURES ST. PAUL - SMOKY LAKE REGION
Financial Statements
Year Ended March 31, 2017



P.O. Box 6927
508 Jubilee Avenue
Drayton Valley, AB
Canada T7A 1S3
Phone: (780) 542-4468
Fax: (780) 542-5275
Toll Free: (888) 542-4468
Email: office@crsllp.ca

June 22, 2017

Community Futures St. Paul – Smoky Lake
Box 1484
4802 – 50 Ave
St. Paul, AB
T0A 3A0

Attention: Board Members

Dear Board Members:

Re: 2017 AUDIT

The purpose of this communication is to summarize certain matters arising from the audit that we believe would be of interest to the Board. This communication should be read in conjunction with the financial statements and our report thereon, and it is intended solely for the use of the Board and should not be distributed to external parties without our prior consent. Carlson Roberts Seely LLP accepts no responsibility to a third party who uses this communication.

AUDIT FINDINGS

We are pleased to advise that during the course of our audit we did not identify any of the following matters:

- ✓ fraud;
- ✓ material misstatement arising from error;
- ✓ illegal or possibly illegal acts;
- ✓ significant weaknesses in internal control; or
- ✓ related party transactions, which are not in the normal course of operations and which involve significant judgments made by management concerning measurement or disclosure.

The audit findings contained in this letter did not have a material effect on the Corporation's financial statements, and as such, our audit report is without reservation.

Our audit procedures were performed to form an opinion on the financial statements and although they might bring possible fraudulent or illegal activities to our attention, our audit procedures were not designed to detect fraudulent or illegal activities.

We obtained a sufficient understanding of internal controls to enable us to plan the audit. In certain areas we assessed control risk below maximum and obtained sufficient appropriate audit evidence through tests of control to support that assessment. However, our study and evaluation of internal controls was not sufficient to express an opinion on the effectiveness of the Corporation's internal control systems.

Significant Accounting Policies and Estimates

Management is responsible for determining the significant accounting policies. The choice of different accounting policy alternatives can have a significant effect on the financial position and results of the Corporation. The application of those policies often involves significant estimates and judgments by management.

We are of the opinion that the significant accounting policies, estimates and judgments made by management do not materially misstate the financial statements taken as a whole.

Unrecorded Misstatements

During the course of our audit we did not discover any unadjusted errors which had not yet been recorded.

Difficulties Encountered During the Audit

We encountered no difficulties during our audit that should be brought to the attention of the Board.

Disagreements with Management

We are required to communicate any disagreements with management, whether or not resolved, about matters that are individually or in aggregate significant to the Corporation's financial statements or auditor's report. Disagreements may arise over:

- a. Selection or application of accounting principles;
- b. Assumptions and related judgments for accounting estimates;
- c. Financial statement disclosures;
- d. Scope of the audit; or
- e. Wording of the auditor's report.

We are pleased to inform you that we had no disagreements with management during the course of our audit.

AUDITOR INDEPENDENCE

We have been engaged to audit the financial statements of the Corporation for the year ending March 31, 2017.

Canadian generally accepted auditing standards (GAAS) require that we communicate at least annually with the Board regarding all relationships between the Corporation and our firm that, in our professional judgment, may reasonably be thought to bear on our independence. In determining which relationships to report, these standards require us to consider relevant rules and related interpretations prescribed by the Institute of Chartered Accountants of Alberta and applicable legislation, covering such matters as:

- (a) holding a financial interest, either directly or indirectly, in a client;
- (b) holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client;
- (c) personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client;
- (d) economic dependence on a client; and
- (e) provision of services in addition to the audit engagement.

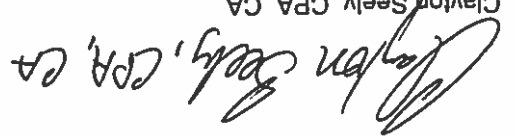
We have prepared the following comments to facilitate our discussion with you regarding independence matters.

We are not aware of any relationships between the Corporation and ourselves that, in our professional judgment, may reasonably be thought to bear on our independence that have occurred from June 8, 2016 – June 22, 2017.

The total audit fee quoted for the 2017 audit was \$7,350 plus out of pocket expenses. The total fees for non-audit services during 2017 were \$Nil.

GAAS requires that we confirm our independence to the audit committee (or equivalent) in the context of the Rules of the Institute of Chartered Accountants of Alberta. We hereby confirm that we are independent with respect to the Corporation within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta as of June 5, 2017.

cc: Penny Fox, Executive Director


Clayton Seely, CPA, CA
Partner

Carlson Roberts Seely LLP

Yours very truly,

We have submitted a letter to management on internal controls and other matters that we feel should be brought to their attention.
We wish to express our appreciation for the co-operation we received during the audit from all Corporation staff.

MANAGEMENT LETTER

Community Futures St. Paul – Smoky Lake
June 22, 2017

COMMUNITY FUTURES ST. PAUL - SMOKY LAKE REGION
Financial Statements
Year Ended March 31, 2017

COMMUNITY FUTURES ST. PAUL - SMOKY LAKE REGION
Index to Financial Statements
Year Ended March 31, 2017

Page	
1 - 2	INDEPENDENT AUDITOR'S REPORT
	FINANCIAL STATEMENTS
3 - 4	Statement of Financial Position
5	Statement of General Fund Revenues and Expenses
6	Statement of Loan Investment Fund Revenues and Expenses
7	Statement of Changes in Net Assets
7	Breakdown of Net Assets
8 - 9	Statement of Cash Flows
10 - 17	Notes to Financial Statements

(continues)

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.

Auditor's Responsibility

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.

Management's Responsibility for the Financial Statements

We have audited the accompanying financial statements of Community Futures St. Paul - Smoky Lake Region, which comprise the statement of financial position as at March 31, 2017 and the statements of changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

To the Members of Community Futures St. Paul - Smoky Lake Region

INDEPENDENT AUDITOR'S REPORT

P.O. Box 6927
 5508 Jubilee Avenue
 Drayton Valley, AB
 Canada T7A 1S3
 Phone: (780) 542-4468
 Fax: (780) 542-5275
 Toll Free: (888) 542-4468
 Email: office@crsllp.ca



Independent Auditor's Report to the Members of Community Futures St. Paul - Smoky Lake Region (continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Community Futures St. Paul - Smoky Lake Region as at March 31, 2017 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

Drayton Valley, Alberta
June 22, 2017

CORPORATION & POLYMER SERVICES LTD. FINANCIAL STATEMENTS
Statement of Financial Position
March 31, 2017


	General Fund 2017	Restricted Non- repayable 2017	Restricted Repayable 2017	Restricted Disabled 2017	Total 2017	Total 2016
ASSETS						
CURRENT						
Cash and short term deposits (Note 3)	\$ 103,962	\$ 454,936	\$ 3,837	\$ 183,138	\$ 745,873	\$ 1,084,288
GST and accounts receivable	26,105	-	-	-	26,105	3,706
Current portion of investment loans receivable	-	382,478	241,673	5,000	629,151	452,919
Prepaid expenses	4,683	-	-	-	4,683	4,683
	134,750	837,414	245,510	188,138	1,405,812	1,545,596
PROPERTY AND EQUIPMENT (Net of accumulated amortization) (Note 4)	1,139	-	-	-	1,139	-
LOANS AND NOTES RECEIVABLE (Note 5)	-	737,436	1,184,469	18,644	1,940,549	1,719,353
LONG TERM INVESTMENTS (Note 6)	34,459	-	-	-	34,459	-
	<u>\$ 170,348</u>	<u>\$ 1,574,850</u>	<u>\$ 1,429,979</u>	<u>\$ 206,782</u>	<u>\$ 3,381,959</u>	<u>\$ 3,264,949</u>

See notes to financial statements

**Statement of Financial Position
March 31, 2017**

	General Fund 2017	Restricted Non- repayable 2017	Restricted Repayable 2017	Restricted Disabled 2017	Total 2017	Total 2016
LIABILITIES AND NET ASSETS						
CURRENT						
Accounts payable and accrued liabilities	\$ 11,591	\$ -	\$ -	\$ -	\$ 11,591	\$ 11,355
Callable debt due in one year (Note 7)	-	-	500,000	-	500,000	500,000
Interest payable	-	-	367	-	367	-
Deferred revenue (Note 8)	24,580	-	-	-	24,580	24,580
Interfund payable / (receivable) (Note 9)	-	-	73,412	(73,412)	-	-
Current portion of long term debt (Note 10)	-	-	124,040	-	124,040	7,449
LONG TERM DEBT (Note 10)	36,171	-	697,819	(73,412)	660,578	543,384
	-	-	-	-	-	122,014
NET ASSETS (Note 11)	134,177	1,574,850	732,160	280,194	2,721,381	2,599,551
	\$ 170,348	\$ 1,574,850	\$ 1,429,979	\$ 206,782	\$ 3,381,959	\$ 3,264,949

ON BEHALF OF THE BOARD



 Director

 Director

See notes to financial statements

COMMUNITY FUTURES ST. PAUL - SMOKY LAKE REGION

Statement of General Fund Revenues and Expenses

Year Ended March 31, 2017

	Total 2017	Total 2016
REVENUE		
Federal contracts	294,963	294,963
Community Futures (RCED)	11,751	372
Projects and other	30,601	20,908
Loan fees and cost recoveries	8,420	5,386
Bank interest	1,111	949
EXPENSES	346,846	322,578
Salaries and benefits	211,181	212,049
Projects	39,174	4,383
Rent	31,000	30,997
Advertising and promotion	13,941	8,352
Professional fees	13,068	10,714
Office supplies and postage	12,445	15,389
Telephone, utilities and internet	8,517	7,953
Board member expenses	7,445	9,228
Staff exercises	5,231	6,311
Non-recoverable GST	3,639	2,353
Insurance	2,330	2,330
Bank charges and interest	1,884	1,777
Video conferencing	1,788	1,076
Professional development	1,762	6,497
Amortization	228	893
	353,633	320,302
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ (6,787)	\$ 2,276

See notes to financial statements

Statement of Loan Investment Fund Revenues and Expenses
Year Ended March 31, 2017

	Restricted Non-repayable 2017	Restricted Repayable 2017	Restricted Disabled 2017	Total 2017	Total 2016
REVENUE					
Bank interest	\$ 1,827	\$ 204	\$ 1,141	\$ 3,172	\$ 4,436
Investment interest	65,899	100,449	1,059	167,407	176,106
Loan fees and cost recoveries	125	1,720	-	1,845	1,250
	<u>67,851</u>	<u>102,373</u>	<u>2,200</u>	<u>172,424</u>	<u>181,792</u>
EXPENSES					
Bank charges	63	203	-	266	184
Interest on CFNA loan	-	13,472	-	13,472	17,040
Interest on long-term debt	-	10,904	-	10,904	11,856
Professional fees	-	42	-	42	-
Provision for investment losses	5,500	13,623	-	19,123	91,801
	<u>5,563</u>	<u>38,244</u>	<u>-</u>	<u>43,807</u>	<u>120,881</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 62,288</u>	<u>\$ 64,129</u>	<u>\$ 2,200</u>	<u>\$ 128,617</u>	<u>\$ 60,911</u>

See notes to financial statements

Statement of Changes in Net Assets
Year Ended March 31, 2017

	General Fund 2017	Restricted Non- repayable 2017	Restricted Repayable 2017	Restricted Disabled 2017	Total 2017	Total 2016
NET ASSETS - BEGINNING OF YEAR	\$ 134,177	\$ 1,512,562	\$ 674,818	\$ 277,994	\$ 2,599,551	\$ 2,536,364
Excess / (deficiency) of revenue over expenses	(6,787)	62,288	64,129	2,200	121,830	63,187
Interfund interest transfers	6,787	-	(6,787)	-	-	-
NET ASSETS - END OF YEAR	<u>\$ 134,177</u>	<u>\$ 1,574,850</u>	<u>\$ 732,160</u>	<u>\$ 280,194</u>	<u>\$ 2,721,381</u>	<u>\$ 2,599,551</u>

Breakdown of Net Assets
Year Ended March 31, 2017

	General Fund 2017	Restricted Non- repayable 2017	Restricted Repayable 2017	Restricted Disabled 2017	Total 2017	Total 2016
Original contributions	\$ -	\$ 581,497	\$ 600,000	\$ 200,000	\$ 1,381,497	\$ 1,381,497
Earned net assets	134,177	993,353	132,160	80,194	1,339,884	1,218,054
	<u>\$ 134,177</u>	<u>\$ 1,574,850</u>	<u>\$ 732,160</u>	<u>\$ 280,194</u>	<u>\$ 2,721,381</u>	<u>\$ 2,599,551</u>

See notes to financial statements

Statement of Cash Flows
Year Ended March 31, 2017

	General Fund 2017	Restricted Non- repayable 2017	Restricted Repayable 2017	Restricted Disabled 2017	Total 2017	Total 2016
OPERATING ACTIVITIES						
Excess (deficiency) of revenue	\$ (6,787)	\$ 62,288	\$ 64,129	\$ 2,200	\$ 121,830	\$ 63,187
Items not affecting cash:						
Amortization of property and equipment	228	-	-	-	228	893
Provision for investment losses	-	5,500	13,623	-	19,123	98,153
	(6,559)	67,788	77,752	2,200	141,181	162,233
Changes in non-cash working capital:						
Increase in GST and accounts receivable	(22,399)	-	-	-	(22,399)	(1,406)
Increase (decrease) in accounts payable and accrued liabilities	236	-	-	-	236	(767)
Increase in deferred revenue	-	-	-	-	-	24,580
Increase in interest payable	-	-	367	-	367	-
Interfund payable / (receivable)	-	-	73,412	(73,412)	-	-
	(22,163)	-	73,779	(73,412)	(21,796)	22,407
Cash flow from (used by) operating activities	(28,722)	67,788	151,531	(71,212)	119,385	184,640
INVESTING ACTIVITIES						
Purchase of property and equipment	(1,367)	-	-	-	(1,367)	-
Repayment of loans and notes receivable	-	219,124	266,019	2,420	487,563	854,303
Addition to loans and notes receivable	-	(385,565)	(492,485)	(26,064)	(904,114)	(548,110)
Acquisition of Long Term Investments	(34,459)	-	-	-	(34,459)	-
Cash flow from (used by) investing activities	(35,826)	(166,441)	(226,466)	(23,644)	(452,377)	306,193

(continues)

See notes to financial statements

STATEMENT OF CASH FLOWS - GENERAL FUND

Statement of Cash Flows (continued)

Year Ended March 31, 2017

	General Fund 2017	Restricted Non- repayable 2017	Restricted Repayable 2017	Restricted Disabled 2017	Total 2017	Total 2016
FINANCING ACTIVITIES						
Interest transfer	6,787	-	(6,787)	-	-	-
Repayment of long term debt	-	-	(5,423)	-	(5,423)	(156,964)
Repayment of callable CFNA loan	-	-	-	-	-	(150,000)
Cash flow from (used by) financing activities	6,787	-	(12,210)	-	(5,423)	(306,964)
INCREASE (DECREASE) IN CASH FLOW	(57,761)	(98,653)	(87,145)	(94,856)	(338,415)	183,869
Cash - beginning of year	161,723	553,589	90,982	277,994	1,084,288	900,419
CASH - END OF YEAR (Note 3)	\$ 103,962	\$ 454,936	\$ 3,837	\$ 183,138	\$ 745,873	\$ 1,084,288

See notes to financial statements

1. PURPOSE OF THE ORGANIZATION

Community Futures St. Paul - Smoky Lake Region (the "organization") is a not-for-profit organization incorporated provincially under the Not-for-profit Corporations Act of Alberta. Management has determined that they are exempt from payment of income tax under Section 149(1) of the Income Tax Act.

With the financial support of the Government of Canada, it provides loans and financial services to small businesses otherwise unable to obtain financing, delivers government services and programs related to employment and economic development, provides training and business advisory services, and contributes leadership and expertise in economic development to local communities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organization (ASNFPO).

Fund accounting

Community Futures St. Paul - Smoky Lake Region follows the restricted fund method of accounting for contributions.

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

The Capital Asset Fund reports the assets, liabilities, revenues and expenses related to Corporation's acquisition of capital assets.

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 Government of Canada.

Recognition of Contributions

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

Recognition of Other Revenues

Revenue from all other sources is included in revenue in the year in which it is received or becomes receivable.

Contributed services

The organization would not be able to carry out its activities without the services of the many volunteers who donate a considerable number of hours. Because of the difficulty of compiling these hours, contributed services are not recognized in the financial statements.

(continues)

COMMUNITY FUTURES ST. PAUL - SMOKY LAKE REGION
Notes to Financial Statements
Year Ended March 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents consist of balances with banks and short-term investments with banks.

Investment Loans and Accrued Interest Receivable

Investment loans receivable are classified as held to maturity financial instruments and are recorded at the lower of principal plus accrued interest and estimated realizable value.

Interest income from loans is recorded on the accrual basis for all loans not classified as impaired. Loans are classified as impaired when there is reasonable doubt as to the timely collection of some portion of principal or interest. This assessment is made by management and the Board of Directors.

When a loan is classified as impaired, recognition of interest income in accordance with the original loan agreement ceases. Any subsequent payments received on an impaired loan are applied to reduce the recorded investment in the loan.

Allowance for Doubtful Loans

The organization maintains an allowance for doubtful loans that reduces the carrying value of loans to their estimated realizable amount. The allowance is increased by a provision for investment losses which is charged to income and reduced by write-offs, net of recoveries.

A specific allowance is established on an individual loan basis, to reduce the carrying book values to estimated realizable values. Estimated realizable values are determined by discounting the expected future cash flows at the effective interest rate inherent in the loans. When the amounts and timing of future cash flows cannot be reliably established, estimated realizable values are determined by reference to market prices for the loans of their underlying security.

Property and equipment

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Equipment is amortized over their estimated useful lives on a declining balance basis at the following rates.

	4.5 years	straight-line method	
Leasehold improvements	4.5 years	straight-line method	
Furniture and fixtures	4.5 years	straight-line method	
Computer equipment	3 years	straight-line method	

Measurement uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

(continues)

COMMUNITY FUTURES ST. PAUL - SMOKY LAKE REGION

Notes to Financial Statements

Year Ended March 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments Policy

Held for trading

The organization has classified the following financial assets and liabilities as held for trading: cash and short term investments. These instruments are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties.

Held for trading financial instruments are subsequently measured at their fair value. Gains and losses arising from changes in fair value are recognized immediately in net income.

Loans and receivables

The organization has classified the following financial assets as loans and receivables: trade accounts receivable and long term loans receivable. These assets are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties.

Loans and receivables are subsequently measured at their amortized cost, using the effective interest method. Under this method, estimated future cash receipts are exactly discounted over the asset's expected life, or other appropriate method, to its net carrying value. Amortized cost is the amount at which the financial asset is measured at initial recognition less principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount, and less any reduction for impairment or uncollectibility. Gains or losses arising from changes in fair value are recognized in net income from derecognition or impairment.

Other financial liabilities

The organization has classified the following financial liabilities as other financial liabilities: accounts payable and accruals. These liabilities are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Under this method, estimated future cash payments are exactly discounted over the liability's expected life, or other appropriate period, to its net carry value. Amortized cost is the amount at which the financial liability is measured at initial recognition less principal repayments, and plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount. Gains and losses arising from the changes in fair value are recognized in net income upon derecognition or impairment.

3. CASH

	2017	2016
Cash	\$ 745,873	\$ 1,050,288
ATB Financial redeemable GIC	-	34,000
	\$ 745,873	\$ 1,084,288

COMMUNITY FUTURES ST. PAUL - SMOKY LAKE REGION

Notes to Financial Statements

Year Ended March 31, 2017

	2017	2016
Leasehold improvements	\$ 35,000	\$ 35,000
Furniture and fixtures	31,151	-
Computer equipment	52,705	1,139
	\$ 118,856	\$ 1,139
Cost		
Accumulated amortization	117,717	-
Net book value	\$ 1,139	\$ -

4. PROPERTY AND EQUIPMENT

5. INVESTMENT LOANS RECEIVABLE

Loan Investment Funds

	2017	2016
Loans Receivable	\$ 1,270,110	\$ 1,647,782
Less: allowance for loan impairment	(150,196)	(221,640)
Less: current portion	(382,478)	(241,673)
	\$ 737,436	\$ 1,184,469
	\$ 1,940,549	\$ 1,719,353

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

ALLOWANCE FOR LOAN IMPAIRMENT:

	2017	2016
Balance, beginning of year	\$ (144,701)	\$ (282,517)
Provision for loan losses	(5,500)	(13,623)
Amounts written off to the allowance	5	74,500
Amounts recovered from the allowance	-	-
Balance at end of year	\$ (150,196)	\$ (221,640)
Total recorded investment on impaired loans	\$ 151,244	\$ 233,094
	\$ 384,338	\$ 509,712

In accordance with the Corporation's objectives, the Corporation has provided loans to small businesses. Outstanding loans to entrepreneurs are interest bearing at fixed rates varying from 5.0% to 8.0% per annum with monthly blended principal and interest repayments amortized for terms between 12 and 60 months. Security is taken on these loans as appropriate to the situation and includes personal guarantees, general security agreements covering business assets and mortgages on property.

COMMUNITY FUTURES ST. PAUL - SMOKY LAKE REGION

Notes to Financial Statements

Year Ended March 31, 2017

6. LONG TERM INVESTMENTS

ATB Financial redeemable GIC

\$	34,459	\$	-
	2017		2016

The GIC bears interest at 1.55% and matures on December 21, 2018.

7. CALLABLE CFNA LOAN

The corporation has obtained a callable loan which is authorized to a limit of \$1,400,000. The loan bears interest at the bank prime rate and is secured by a first charge on the loan portfolio of the corporation. Interest is payable monthly with the principal balance due November 30, 2018.

8. DEFERRED REVENUE

Deferred revenues represent the amount of the restricted contributions that are related to disbursements of future periods. During the 2017 fiscal year, the corporation received an advance payment from Western Diversification for its federal contract contribution pertaining to the 2018 fiscal year.

Western Diversification federal contribution	\$	24,580	\$	24,580
		2017		2016

9. INTER-FUND RECEIVABLE/PAYABLE

The Loan Investment Fund Repayable borrowed \$70,000 from the Loan Investment Fund Disabled during the year. The loan is expected to be repaid in the next fiscal year. There have been no consequences to funding because of the interfund transfer to date.

The remainder of the inter-fund balances are of an operating nature and will be paid/repaid in the next fiscal year.

COMMUNITY FUTURES ST. PAUL - SMOKY LAKE REGION

Notes to Financial Statements

Year Ended March 31, 2017

10. LONG TERM DEBT

	2017	2016
Community Futures - Lac La Biche loan bearing interest at 6.75% per annum, repayable in monthly blended payments of \$1,330. The loan matures on February 25, 2018 and is unsecured.	\$ 124,040	\$ 129,463
Amounts payable within one year	(124,040)	(7,449)
	<u>\$ -</u>	<u>\$ 122,014</u>

Community Futures - Lac La Biche loan bearing interest at 6.75% per annum, repayable in monthly blended payments of \$1,330. The loan matures on February 25, 2018 and is unsecured.

Amounts payable within one year

Principal repayment terms are approximately:

2018	\$ 124,040
	<u>\$ 124,040</u>

These loans were made under a memorandum of understanding between the Corporation and Community Futures Lac La Biche which sets out the terms and conditions of the loan. The loans are a result of loans made to new clients in excess of the \$150,000 limit.

11. GENERAL FUND NET ASSETS

Included in the general fund net assets is \$1,139 (2016 - \$ Nil) that is invested in capital assets.

COMMUNITY FUTURES ST. PAUL - SMOKY LAKE REGION

Notes to Financial Statements

Year Ended March 31, 2017

12. EXTERNALLY RESTRICTED NET ASSETS

Loan funds contributed by the government are classified as repayable, non-repayable and disabled according to the nature of the restrictions placed on their use and the term of the program for which they were advanced. Externally imposed restrictions on loan investment fund balances are as follows:

	2017	2016
Non-repayable	\$ 1,574,850	\$ 1,512,562
Repayable	732,160	674,818
Disabled	280,194	277,994
	<u>\$ 2,587,204</u>	<u>\$ 2,465,374</u>

Under the terms and conditions of the contribution agreement with the Department of Western Economic Diversification, loan investment funds include Conditionally Repayable Funds in the amount of \$800,000 that are repayable if any of the following conditions occur:

- a) The Conditionally Repayable Investment Fund is not administered according to the terms and conditions specified in the Agreement; or
- b) Based on review and evaluations of the operations and the Conditionally Repayable Investment Fund of the organization, the Conditionally Repayable investment Fund is 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; or
- c) In the opinion of the Minister, the Conditionally Repayable Investment Fund is no longer necessary or relevant to the development of the Western Canadian economy; or
- d) The Agreement is terminated as described in Section 12 of the Agreement; or
- e) An event of default occurs as described in Section 7 of the Agreement; or
- f) The Minister does not approve terms and conditions to extend the project beyond March 31, 2018.
- g) If this agreement is not renewed beyond the March 31, 2018 ending date, the outstanding loans receivable would be liquidated in an orderly fashion over a period of 3 to 5 years. Minimal staff would be kept on to oversee this process and operational costs would have to be covered by the interest earned by the loans as the Department of Western Economic Diversification would no longer fund operational costs. No new loans receivable would be granted and no other projects would be initiated.

13. LEASE COMMITMENT

The company has leased office space under a three year lease with monthly rent payments of \$2,583 terminating on March 31, 2018. The company has leased office equipment under a five year lease agreement with monthly payments of \$195 terminating on April 2, 2018.

14. ECONOMIC DEPENDENCE

The organization receives a significant portion of its operating revenues from the Federal and Provincial governments and is economically dependent upon them.

15. FINANCIAL INSTRUMENTS

The organization is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the organization's risk exposure and concentration as of March 31, 2017.

Credit risk

The organization is exposed to credit risk on investment loans receivable from its applicants. In order to reduce its risk, the organization has adopted credit policies and all loans are approved by the Board of Directors. The organization also provides for doubtful accounts based on estimated realizable value of the investment loans receivable.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The organization is exposed to this risk mainly in respect of its receipt of funds from its customers and other related sources, long-term debt, obligations under capital leases, contributions to the pension plan, and accounts payable.

The organization is exposed to this risk mainly in respect of its receipt of funds from its loan clients and other related sources, short-term debt and accounts payable.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the organization manages its exposure through its normal operating and financing activities. The organization is exposed to interest rate risk primarily through its floating interest rate on short-term debt.

Changes in risk

There have been no changes in the organization's risk exposures from the prior year.

