

**COMMUNITY FUTURES ST. PAUL - SMOKY LAKE REGION**

**Financial Statements**

**Year Ended March 31, 2018**

COMMUNITY FUTURES ST. PAUL - SMOKY LAKE REGION

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Year Ended March 31, 2018

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## INDEPENDENT AUDITOR'S REPORT

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

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, 2018 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.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*(continues)*

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, 2018 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.

A handwritten signature in black ink that reads "Carlson Roberts Seely LLP." The signature is written in a cursive, flowing style.

Drayton Valley, Alberta  
June 28, 2018

CHARTERED PROFESSIONAL ACCOUNTANTS

COMMUNITY FUTURES ST. PAUL - SMOKY LAKE REGION

Statement of Financial Position

March 31, 2018

	General Fund 2018	Restricted Non- repayable 2018	Restricted Repayable 2018	Restricted Disabled 2018	Total 2018	Total 2017
<b>ASSETS</b>						
<b>CURRENT</b>						
Cash and short term deposits	\$ 109,523	\$ 648,725	\$ 69,730	\$ 49,507	\$ 877,485	\$ 745,873
Term deposits (Note 5)	34,459	-	-	-	34,459	-
GST and accounts receivable	4,770	-	-	-	4,770	26,105
Current portion of investment loans receivable (Note 4)	-	217,320	206,426	28,847	452,593	629,151
Prepaid expenses	4,683	-	-	-	4,683	4,683
	153,435	866,045	276,156	78,354	1,373,990	1,405,812
<b>PROPERTY AND EQUIPMENT (Net of accumulated amortization) (Note 3)</b>	684	-	-	-	684	1,139
<b>LOANS AND NOTES RECEIVABLE (Note 4)</b>	-	779,021	1,124,022	199,985	2,103,028	1,940,549
<b>LONG TERM INVESTMENTS (Note 5)</b>	-	-	-	-	-	34,459
	\$ 154,119	\$ 1,645,066	\$ 1,400,178	\$ 278,339	\$ 3,477,702	\$ 3,381,959

See notes to financial statements



COMMUNITY FUTURES ST. PAUL - SMOKY LAKE REGION

Statement of Financial Position

March 31, 2018

	General Fund 2018	Restricted Non- repayable 2018	Restricted Repayable 2018	Restricted Disabled 2018	Total 2018	Total 2017
<b>LIABILITIES AND NET ASSETS</b>						
<b>CURRENT</b>						
Accounts payable and accrued liabilities	\$ 13,760	\$ -	\$ -	\$ -	\$ 13,760	\$ 11,591
Interest payable	-	-	367	-	367	367
Deferred revenue (Note 7)	-	-	-	-	-	24,580
Callable debt due in one year (Note 6)	-	-	500,000	-	500,000	500,000
Current portion of long term debt (Note 8)	-	-	116,561	-	116,561	124,040
	13,760	-	616,928	-	630,688	660,578
	140,359	1,645,066	783,250	278,339	2,847,014	2,721,381
	\$ 154,119	\$ 1,645,066	\$ 1,400,178	\$ 278,339	\$ 3,477,702	\$ 3,381,959

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, 2018**

	Total 2018	Total 2017
<b>REVENUE</b>		
Federal contracts	\$ 294,963	\$ 294,963
Community Futures (RCED)	15,475	11,751
Projects and other	8,428	30,601
Loan fees and cost recoveries	6,550	8,420
Bank interest	616	1,111
	<u>326,032</u>	<u>346,846</u>
<b>EXPENSES</b>		
Salaries and benefits	208,110	211,181
Rent	31,000	31,000
Office supplies and postage	13,719	12,445
Projects	10,781	39,174
Professional fees	10,401	13,068
Telephone, utilities and internet	8,997	8,517
Board memeber expenses	8,650	7,445
Staff exercises	7,558	5,231
Advertising and promotion	6,485	13,941
Professional development	5,842	1,762
Non-recoverable GST	2,410	3,639
Insurance	2,330	2,330
Bank charges and interest	2,032	1,884
Video conferencing	1,079	1,788
Amortization	456	228
	<u>319,850</u>	<u>353,633</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b>	<u>\$ 6,182</u>	<u>\$ (6,787)</u>

**COMMUNITY FUTURES ST. PAUL - SMOKY LAKE REGION**  
**Statement of Loan Investment Fund Revenues and Expenses**  
**Year Ended March 31, 2018**

	Restricted Non-repayable 2018	Restricted Repayable 2018	Restricted Disabled 2018	Total 2018	Total 2017
<b>REVENUE</b>					
Investment interest	\$ 73,918	\$ 98,321	\$ 9,613	\$ 181,852	\$ 167,407
Bank interest	1,154	353	82	1,589	3,172
Loan fees and cost recoveries	100	846	-	946	1,845
	<u>75,172</u>	<u>99,520</u>	<u>9,695</u>	<u>184,387</u>	<u>172,424</u>
<b>EXPENSES</b>					
Provision for investment losses	4,928	24,390	11,550	40,868	19,123
Interest on CFNA loan	-	15,353	-	15,353	13,472
Interest on long-term debt	-	8,481	-	8,481	10,904
Bank charges	28	206	-	234	266
Professional fees	-	-	-	-	42
	<u>4,956</u>	<u>48,430</u>	<u>11,550</u>	<u>64,936</u>	<u>43,807</u>
	\$ 70,216	\$ 51,090	\$ (1,855)	\$ 119,451	\$ 128,617

**EXCESS OF REVENUES OVER EXPENSES**

See notes to financial statements



COMMUNITY FUTURES ST. PAUL - SMOKY LAKE REGION

Statement of Changes in Net Assets

Year Ended March 31, 2018

	General Fund 2018	Restricted Non- repayable 2018	Restricted Repayable 2018	Restricted Disabled 2018	Total 2018	Total 2017
<b>NET ASSETS - BEGINNING OF YEAR</b>	\$ 134,177	\$ 1,574,850	\$ 732,160	\$ 280,194	\$ 2,721,381	\$ 2,599,551
Excess of revenues over expenses	6,182	70,216	51,090	(1,855)	125,633	121,830
<b>NET ASSETS - END OF YEAR</b>	\$ 140,359	\$ 1,645,066	\$ 783,250	\$ 278,339	\$ 2,847,014	\$ 2,721,381

Breakdown of Net Assets  
Year Ended March 31, 2018

	General Fund 2018	Restricted Non- repayable 2018	Restricted Repayable 2018	Restricted Disabled 2018	Total 2018	Total 2017
Original contributions	\$ -	\$ 581,497	\$ 600,000	\$ 200,000	\$ 1,381,497	\$ 1,381,497
Earned net assets	140,359	1,063,569	183,250	78,339	1,465,517	1,339,884
	\$ 140,359	\$ 1,645,066	\$ 783,250	\$ 278,339	\$ 2,847,014	\$ 2,721,381

See notes to financial statements

COMMUNITY FUTURES ST. PAUL - SMOKY LAKE REGION

Statement of Cash Flows

Year Ended March 31, 2018

	General Fund 2018	Restricted Non- repayable 2018	Restricted Repayable 2018	Restricted Disabled 2018	Total 2018	Total 2017
<b>OPERATING ACTIVITIES</b>						
Excess (deficiency) of revenues	\$ 6,183	\$ 70,216	\$ 51,090	\$ (1,856)	\$ 125,633	\$ 121,830
Items not affecting cash:						
Amortization of property and equipment	456	-	-	-	456	228
Provision for investment losses	-	4,928	24,390	11,550	40,868	19,123
	6,639	75,144	75,480	9,694	166,957	141,181
Changes in non-cash working capital:						
GST and accounts receivable	21,335	-	-	-	21,335	(22,399)
Accounts payable and accrued liabilities	2,167	-	-	-	2,167	236
Deferred revenue	(24,580)	-	-	-	(24,580)	-
Interest payable	-	-	-	-	-	367
Interfund payable / (receivable)	-	-	(73,412)	73,412	-	-
	(1,078)	-	(73,412)	73,412	(1,078)	(21,796)
Cash flow from operating activities	5,561	75,144	2,068	83,106	165,879	119,385
<b>INVESTING ACTIVITIES</b>						
Purchase of property and equipment	-	-	-	-	-	(1,367)
Repayment of loans and notes receivable	-	428,705	258,918	8,844	696,467	487,563
Addition to loans and notes receivable	-	(310,060)	(187,614)	(225,581)	(723,255)	(904,114)
Acquisition of long term investments	-	-	-	-	-	(34,459)
Transfer from long term investments to term deposit	34,459	-	-	-	34,459	-
Cash flow from (used by) investing activities	34,459	118,645	71,304	(216,737)	7,671	(452,377)

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See notes to financial statements

COMMUNITY FUTURES ST. PAUL - SMOKY LAKE REGION

Statement of Cash Flows (continued)

Year Ended March 31, 2018

	General Fund 2018	Restricted Non- repayable 2018	Restricted Repayable 2018	Restricted Disabled 2018	Total 2018	Total 2017
<b>FINANCING ACTIVITY</b>						
Repayment of long term debt	-	-	(7,479)	-	(7,479)	(5,423)
Cash flow from (used by) financing activity	-	-	(7,479)	-	(7,479)	(5,423)
<b>INCREASE (DECREASE) IN CASH FLOW</b>						
Cash - beginning of year	40,020	193,789	65,893	(133,631)	166,071	(338,415)
<b>CASH - END OF YEAR</b>	103,962	454,936	3,837	183,138	745,873	1,084,288
<b>CASH CONSISTS OF:</b>						
Cash and short term deposits	\$ 109,523	\$ 648,725	\$ 69,730	\$ 49,507	\$ 877,485	\$ 745,873
Term deposits	34,459	-	-	-	34,459	-
	\$ 143,982	\$ 648,725	\$ 69,730	\$ 49,507	\$ 911,944	\$ 745,873

See notes to financial statements

# COMMUNITY FUTURES ST. PAUL - SMOKY LAKE REGION

## Notes to Financial Statements

Year Ended March 31, 2018

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### 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 organizations (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.

#### Cash and cash equivalents

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

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COMMUNITY FUTURES ST. PAUL - SMOKY LAKE REGION

Notes to Financial Statements

Year Ended March 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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.

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**COMMUNITY FUTURES ST. PAUL - SMOKY LAKE REGION**

**Notes to Financial Statements**

**Year Ended March 31, 2018**

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. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Leasehold improvements	\$ 35,000	\$ 35,000	\$ -	\$ -
Furniture and fixtures	31,151	31,151	-	-
Computer equipment	52,705	52,021	684	1,139
	<u>\$ 118,856</u>	<u>\$ 118,172</u>	<u>\$ 684</u>	<u>\$ 1,139</u>

**COMMUNITY FUTURES ST. PAUL - SMOKY LAKE REGION**

**Notes to Financial Statements**

**Year Ended March 31, 2018**

**4. INVESTMENT LOANS RECEIVABLE**

**Loan Investment Funds**

	<u>Non-repayable</u>	<u>Repayable</u>	<u>Disabled</u>	<u>2018</u>	<u>2017</u>
Loans Receivable	\$ 1,094,465	\$ 1,540,478	\$ 240,382	\$ 2,875,325	\$ 2,941,536
Less: allowance for loan impairment	(98,124)	(210,030)	(11,550)	(319,704)	(371,836)
Less: current portion	(217,320)	(206,426)	(28,847)	(452,593)	(629,151)
	<u>\$ 779,021</u>	<u>\$ 1,124,022</u>	<u>\$ 199,985</u>	<u>\$ 2,103,028</u>	<u>\$ 1,940,549</u>

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:**

Balance, beginning of year	\$ (150,196)	\$ (221,640)	\$ -	\$ (371,836)	\$ (427,218)
Provision for loan losses	(4,928)	(36,077)	(11,550)	(52,555)	(19,123)
Amounts written off to the allowance	57,000	36,000	-	93,000	74,505
Amounts recovered from the allowance	-	11,687	-	11,687	-
Balance at end of year	<u>\$ (98,124)</u>	<u>\$ (210,030)</u>	<u>\$ (11,550)</u>	<u>\$ (319,704)</u>	<u>\$ (371,836)</u>
Total recorded investment on impaired loans	<u>\$ 98,124</u>	<u>\$ 254,355</u>	<u>\$ 21,150</u>	<u>\$ 373,629</u>	<u>\$ 509,712</u>

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 2.7% 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.

**5. TERM DEPOSIT**

	<u>2018</u>	<u>2017</u>
Servus Credit Union GICs Maturing in One Year	\$ 34,459	\$ -
Servus Credit Union GICs	-	34,459
	<u>\$ 34,459</u>	<u>\$ 34,459</u>

The GIC bears interest at 1.55% and matures on December 21, 2018. Previously this was classified as a long term investment as the maturity date was not in the subsequent year end.

**COMMUNITY FUTURES ST. PAUL - SMOKY LAKE REGION**

**Notes to Financial Statements**

**Year Ended March 31, 2018**

**6. 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.

**7. DEFERRED REVENUE**

Deferred revenues represent the amount of the restricted contributions that are related to disbursements of future periods.

	<u>2018</u>	<u>2017</u>
Western Diversification federal contribution	\$ -	\$ 24,580

**8. LONG TERM DEBT**

Community Futures - Lac La Biche loan bearing interest at 6.75% per annum, repayable in monthly blended payments of \$1,330.

Amounts payable within one year

	<u>2018</u>	<u>2017</u>
	\$ 116,561	\$ 124,040
	<u>(116,561)</u>	<u>(124,040)</u>
	<u>\$ -</u>	<u>\$ -</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.

**9. GENERAL FUND NET ASSETS**

Included in the general fund net assets is \$684 (2017 - \$ 1,139) that is invested in capital assets.



# COMMUNITY FUTURES ST. PAUL - SMOKY LAKE REGION

## Notes to Financial Statements

Year Ended March 31, 2018

### 10. 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:

	<u>2018</u>	<u>2017</u>
Non-repayable	\$ 1,645,066	\$ 1,574,850
Repayable	783,250	732,159
Disabled	278,339	280,194
	<u>\$ 2,706,655</u>	<u>\$ 2,587,203</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, 2021.
- g) If this agreement is not renewed beyond the March 31, 2021 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.

### 11. ECONOMIC DEPENDENCE

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

COMMUNITY FUTURES ST. PAUL - SMOKY LAKE REGION

Notes to Financial Statements

Year Ended March 31, 2018

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12. 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, 2018.

*(a) Credit risk*

The organization is exposed to credit risk on investment loans receivable from its applicants. In order to reduce its credit 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.

*(b) 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.

*(c) 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 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.

*(d) Changes in Risk*

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