

**COMMUNITY FUTURES
MOUNT WADDINGTON
Financial Statements - March 31, 2016**

Independent Auditors' Report
Statement of Financial Position
Statement of Changes in Fund Balances
Statement of Operations
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**INDEPENDENT
AUDITORS'
REPORT**

To: The Members of
Community Futures Mount Waddington

We have audited the accompanying financial statements of Community Futures Mount Waddington which comprise the statement of financial position as at March 31, 2016 and the statement of changes in fund balances, operations and cash flows for the year ended March 31, 2016, 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.

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 auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Community Futures Mount Waddington as at March 31, 2016, and its financial performance and its cash flows for the year ended March 31, 2016, in accordance with Canadian accounting standards for not-for-profit organizations.

Chartered Professional Accountants
Campbell River, BC

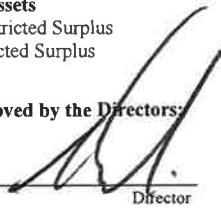
July 8, 2016

COMMUNITY FUTURES MOUNT WADDINGTON

Statement of Financial Position

	Administration Fund						March 31, 2016	March 31, 2015
	Administration	SE	MWEF	Jobs & Career Expo	IC Group	Investment Funds		
	\$	\$	\$	\$	\$	\$	\$	\$
ASSETS								
Current Assets								
Cash	44,372	124,542	3,908	988	29,503	588,633	791,946	1,003,562
Accounts Receivable	10,423	-	-	-	-	-	10,423	13,282
Prepaid Expenses	4,412	-	-	-	-	-	4,412	4,490
Due from Syndicate Loan	-	-	-	-	-	42,075	42,075	-
Current Portion of Loans Receivable (Note 3)	-	-	-	-	-	1,120,216	1,120,216	810,306
	<u>59,207</u>	<u>124,542</u>	<u>3,908</u>	<u>988</u>	<u>29,503</u>	<u>1,750,924</u>	<u>1,969,072</u>	<u>1,831,640</u>
Loans Receivable (Note 3)	-	-	-	-	-	2,584,333	2,584,333	3,252,894
Due (to) from Funds	1,724	6,497	120	-	47	(8,388)	-	-
Long Term Investments (Note 4)	-	-	1	-	-	-	1	1
Due from Related Party (Note 4)	-	-	-	-	-	-	-	10,000
Property and Equipment (Note 5)	<u>14,948</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,948</u>	<u>21,801</u>
	<u>75,879</u>	<u>131,039</u>	<u>4,029</u>	<u>988</u>	<u>29,550</u>	<u>4,326,869</u>	<u>4,568,354</u>	<u>5,116,336</u>
LIABILITIES AND NET ASSETS								
Current Liabilities								
Accounts Payable	4,941	-	1	-	-	-	4,942	15,337
Wages and Benefits	41,639	-	-	-	-	-	41,639	36,076
Deferred Revenue (Note 6)	25,824	117,084	-	981	17,338	-	161,227	151,042
Due to Syndicate CFs	-	-	-	-	-	8,104	8,104	-
Current Portion of Long Term Debt (Note 7)	-	-	-	-	-	137,358	137,358	193,560
Demand Debt (Note 7)	-	-	-	-	-	2,045,000	2,045,000	1,970,000
	<u>72,404</u>	<u>117,084</u>	<u>1</u>	<u>981</u>	<u>17,338</u>	<u>2,190,462</u>	<u>2,398,270</u>	<u>2,366,015</u>
Long Term Debt (Note 7)	-	-	-	-	-	432,328	432,328	778,961
Net Assets								
Unrestricted Surplus	3,475	-	4,028	-	-	-	7,503	24,638
Restricted Surplus	-	13,955	-	7	12,212	1,704,079	1,730,253	1,946,722
	<u>75,879</u>	<u>131,039</u>	<u>4,029</u>	<u>988</u>	<u>29,550</u>	<u>4,326,869</u>	<u>4,568,354</u>	<u>5,116,336</u>

Approved by the Directors:



Director



Director

COMMUNITY FUTURES MOUNT WADDINGTON

Statement of Changes in Fund Balances

Year Ended March 31, 2016	Administration Fund						Total 2016	Total 2015
	Administration	SE	MWEF	Jobs & Career Expo	IC Group	Investment Funds		
	\$	\$	\$	\$	\$	\$	\$	\$
Surplus - Beginning	10,130	13,955	14,508	-	14,200	1,918,567	1,971,360	1,860,799
Excess (Deficiency) of Revenue over Expenditures	<u>(47,655)</u>	<u>-</u>	<u>(10,480)</u>	<u>7</u>	<u>(1,988)</u>	<u>(173,488)</u>	<u>(233,604)</u>	<u>110,561</u>
	(37,525)	13,955	4,028	7	12,212	1,745,079	1,737,756	1,971,360
Interfund Items								
Interfund Transactions (Note 9)	<u>41,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(41,000)</u>	<u>-</u>	<u>-</u>
Surplus - End	<u>3,475</u>	<u>13,955</u>	<u>4,028</u>	<u>7</u>	<u>12,212</u>	<u>1,704,079</u>	<u>1,737,756</u>	<u>1,971,360</u>

COMMUNITY FUTURES MOUNT WADDINGTON

Statement of Operations

Year Ended March 31, 2016	Administration Fund					Investment Funds	Total 2016	Total 2015
	Administration	SE	MWEF	Jobs & Career Expo	IC Group			
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue								
Federal Government Grants - Operating	309,887	-	-	-	-	-	309,887	309,887
Other Government Funding	30,538	39,444	-	-	-	-	69,982	51,905
Projects, Recoveries and Other Interest	64,947	-	-	7,310	9,628	-	81,885	150,463
	288	571	20	24	163	236,561	237,627	236,938
	<u>405,660</u>	<u>40,015</u>	<u>20</u>	<u>7,334</u>	<u>9,791</u>	<u>236,561</u>	<u>699,381</u>	<u>749,193</u>
Expenses	<u>443,073</u>	<u>40,015</u>	<u>10,500</u>	<u>7,327</u>	<u>11,779</u>	<u>410,049</u>	<u>922,743</u>	<u>624,765</u>
	(37,413)	-	(10,480)	7	(1,988)	(173,488)	(223,362)	124,428
Amortization of Property and Equipment	(10,135)	-	-	-	-	-	(10,135)	(13,867)
Loss on Disposal of Equipment	(107)	-	-	-	-	-	(107)	-
Excess (Deficiency) of Revenue Over Expenditures	<u>(47,655)</u>	<u>-</u>	<u>(10,480)</u>	<u>7</u>	<u>(1,988)</u>	<u>(173,488)</u>	<u>(233,604)</u>	<u>110,561</u>

COMMUNITY FUTURES MOUNT WADDINGTON

Statement of Operations - Continued

Year Ended March 31, 2016	Administration Fund					Investment Funds	Total 2016	Total 2015
	Administration	SE	MWEF	Jobs & Career Expo	IC Group			
	\$	\$	\$	\$	\$	\$	\$	\$
Expenses								
Wages and Benefits								
Wages and Benefits	303,389	36,674	-	-	-	-	340,063	291,026
Training	180	-	-	-	-	-	180	300
Administration								
Bad Debts	-	-	10,000	-	-	-	10,000	-
Increase in Provision for Loan Impairment	-	-	-	-	-	390,184	390,184	73,536
Communications	11,580	441	-	-	-	-	12,021	11,855
Community Projects	1,224	-	500	4,773	-	-	6,497	98,658
Conferences and Meetings	6,670	61	-	-	2,845	-	9,576	10,909
Dues and Subscriptions	3,395	-	-	-	-	-	3,395	6,460
Insurance - General	3,837	-	-	355	-	-	4,192	3,938
Interest and Bank Charges	3,538	-	-	-	-	19,865	23,403	13,968
Loan Processing Costs	3,887	-	-	-	-	-	3,887	3,148
Marketing	6,216	500	-	2,131	8,682	-	17,529	8,595
Office and Miscellaneous	16,106	239	-	68	-	-	16,413	18,312
Professional Fees	14,145	-	-	-	-	-	14,145	15,485
Rent and Utilities	38,066	-	-	-	-	-	38,066	35,450
Repairs and Maintenance	3,918	-	-	-	-	-	3,918	6,578
Travel	26,922	-	-	-	252	-	27,174	26,497
Workshops	-	2,100	-	-	-	-	2,100	50
	<u>443,073</u>	<u>40,015</u>	<u>10,500</u>	<u>7,327</u>	<u>11,779</u>	<u>410,049</u>	<u>922,743</u>	<u>624,765</u>

COMMUNITY FUTURES MOUNT WADDINGTON

Statement of Cash Flows

Year Ended March 31, 2016

	2016	2015
	\$	\$
Cash Flows From Operating Activities:		
Cash Received from Funders and Borrowers	668,454	719,239
Cash Paid to Suppliers, Employees and Participants	<u>(517,313)</u>	<u>(593,447)</u>
	<u>151,141</u>	<u>125,792</u>
Cash Flows From Financing Activities:		
Increase (Decrease) in Long Term Debt	<u>(327,835)</u>	<u>972,521</u>
Cash Flows From Investing Activities:		
Increase in Loans Receivable	(31,533)	(1,084,732)
Purchase of Equipment	<u>(3,389)</u>	<u>(6,339)</u>
	<u>(34,922)</u>	<u>(1,091,071)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(211,616)	7,242
Cash and Cash Equivalents - Beginning of Year	<u>1,003,562</u>	<u>996,320</u>
Cash and Cash Equivalents - End of Year	<u>791,946</u>	<u>1,003,562</u>
Cash and Cash Equivalents are Represented by:		
Cash on Hand and Held by Financial Institutions	<u>791,946</u>	<u>1,003,562</u>

COMMUNITY FUTURES MOUNT WADDINGTON

Schedule 1 - Investment Funds

Statement of Financial Position

(Unaudited)

March 31, 2016

	Disabled	Fishing	Forest Community Business	General	Repayable	Mount Waddington	Micro Loan	K'awat'si	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
ASSETS									
Current Assets									
Cash	49,449	22,571	269,498	76,863	73,563	20,763	1,169	74,757	588,633
Accounts Receivable	-	-	-	-	-	-	-	-	-
Prepaid Expenses	-	-	-	-	-	-	-	-	-
Due from Syndicate Loan	42,075	-	-	-	-	-	-	-	42,075
Current Portion of Loans Receivable	<u>50,041</u>	<u>535,321</u>	<u>222,273</u>	<u>132,777</u>	<u>91,392</u>	<u>80,097</u>	<u>8,015</u>	<u>300</u>	<u>1,120,216</u>
	141,565	557,892	491,771	209,640	164,955	100,860	9,184	75,057	1,750,924
Loans Receivable	97,062	766,406	494,163	490,327	377,147	345,541	13,687	-	2,584,333
Due (to) from Funds	<u>(13,432)</u>	<u>(284,153)</u>	<u>(313)</u>	<u>165,055</u>	<u>23,733</u>	<u>124,752</u>	<u>(24,030)</u>	<u>-</u>	<u>(8,388)</u>
	<u>225,195</u>	<u>1,040,145</u>	<u>985,621</u>	<u>865,022</u>	<u>565,835</u>	<u>571,153</u>	<u>(1,159)</u>	<u>75,057</u>	<u>4,326,869</u>
LIABILITIES AND NET ASSETS									
Current Liabilities									
Due to Syndicate CFs	-	3,000	-	-	-	5,104	-	-	8,104
Current Portion of Long Term Debt	-	-	-	-	-	137,358	-	-	137,358
Demand Debt	<u>200,000</u>	<u>420,000</u>	<u>1,000,000</u>	<u>-</u>	<u>350,000</u>	<u>-</u>	<u>-</u>	<u>75,000</u>	<u>2,045,000</u>
	200,000	423,000	1,000,000	-	350,000	142,462	-	-	2,190,462
Long Term Debt	-	-	-	-	-	432,328	-	-	432,328
Net Assets									
Restricted Surplus (Deficit)	<u>25,195</u>	<u>617,145</u>	<u>(14,379)</u>	<u>865,022</u>	<u>215,835</u>	<u>(3,637)</u>	<u>(1,159)</u>	<u>57</u>	<u>1,704,079</u>
	<u>225,195</u>	<u>1,040,145</u>	<u>985,621</u>	<u>865,022</u>	<u>565,835</u>	<u>571,153</u>	<u>(1,159)</u>	<u>75,057</u>	<u>4,326,869</u>

COMMUNITY FUTURES MOUNT WADDINGTON

Schedule 2 - Disabled Investment Fund Statement of Operations and Changes in Fund Balances

(Unaudited)

Year Ended March 31, 2016

	2016	2015
	\$	\$
Revenue		
Loan Portfolio Interest	7,113	2,392
Interest and Other Revenue	<u>497</u>	<u>470</u>
	<u>7,610</u>	<u>2,862</u>
Expenses		
Increase in Provision for Loan Impairment	25,965	304
Interest and Bank Charges	<u>274</u>	<u>225</u>
	<u>26,239</u>	<u>529</u>
Excess (Deficiency) of Revenue over Expenditures	(18,629)	2,333
Surplus - Beginning of Year	<u>43,824</u>	<u>41,491</u>
Surplus - End of Year	<u>25,195</u>	<u>43,824</u>

COMMUNITY FUTURES MOUNT WADDINGTON

Schedule 3 - Fishing Investment Fund Statement of Operations and Changes in Fund Balances

(Unaudited)

Year Ended March 31, 2016

	2016	2015
	\$	\$
Revenue		
Loan Portfolio Interest	66,706	51,054
Interest and Other Revenue	<u>765</u>	<u>1,774</u>
	<u>67,471</u>	<u>52,828</u>
Expenses		
Increase in Provision for Loan Impairment	13,271	725
Interest and Bank Charges	313	715
Management Fee (Note 9)	<u>21,000</u>	<u>18,000</u>
	<u>34,584</u>	<u>19,440</u>
Excess of Revenue over Expenditures	32,887	33,388
Surplus - Beginning of Year	<u>584,258</u>	<u>550,870</u>
Surplus - End of Year	<u>617,145</u>	<u>584,258</u>

COMMUNITY FUTURES MOUNT WADDINGTON

Schedule 4 - Forest Community Business Investment Fund Statement of Operations and Changes in Fund Balances

(Unaudited)

Year Ended March 31, 2016

	2016	2015
	\$	\$
Revenue		
Loan Portfolio Interest	42,307	51,517
Interest and Other Revenue	<u>1,127</u>	<u>130</u>
	<u>43,434</u>	<u>51,647</u>
Expenses		
Increase (Decrease) in Provision for Loan Impairment	34,441	(1,450)
Interest and Bank Charges	369	239
Management Fee (Note 9)	<u>20,000</u>	<u>7,100</u>
	<u>54,810</u>	<u>5,889</u>
Excess (Deficiency) of Revenue over Expenditures	(11,376)	45,758
Deficit - Beginning of Year	<u>(3,003)</u>	<u>(48,761)</u>
Deficit - End of Year	<u>(14,379)</u>	<u>(3,003)</u>

COMMUNITY FUTURES MOUNT WADDINGTON

Schedule 5 - General Investment Fund Statement of Operations and Changes in Fund Balance

(Unaudited)

Year Ended March 31, 2016

	2016	2015
	\$	\$
Revenue		
Loan Portfolio Interest	70,372	86,853
Interest and Other Revenue	<u>(1,592)</u>	<u>2,879</u>
	<u>68,780</u>	<u>89,732</u>
Expenses		
Increase in Provision for Loan Impairment	317,123	58,930
Interest and Bank Charges	<u>281</u>	<u>323</u>
	<u>317,404</u>	<u>59,253</u>
Excess (Deficiency) of Revenue over Expenditures	(248,624)	30,479
Surplus - Beginning of Year	<u>1,113,646</u>	<u>1,083,167</u>
Surplus - End of Year	<u>865,022</u>	<u>1,113,646</u>

COMMUNITY FUTURES MOUNT WADDINGTON

Schedule 6 - Repayable Investment Fund Statement of Operations and Changes in Fund Balances

(Unaudited)

Year Ended March 31, 2016

	2016	2015
	\$	\$
Revenue		
Loan Portfolio Interest	31,706	31,192
Interest and Other Revenue	<u>(36)</u>	<u>428</u>
	<u>31,670</u>	<u>31,620</u>
Expenses		
Increase (Decrease) in Provision for Loan Impairment	(1,856)	8,946
Interest and Bank Charges	<u>239</u>	<u>637</u>
	<u>(1,617)</u>	<u>9,583</u>
Excess of Revenue over Expenditures	33,287	22,037
Surplus - Beginning of Year	<u>182,548</u>	<u>160,511</u>
Surplus - End of Year	<u>215,835</u>	<u>182,548</u>

COMMUNITY FUTURES MOUNT WADDINGTON

Schedule 7 - Mount Waddington Investment Fund Statement of Operations and Changes in Fund Balances

(Unaudited)

Year Ended March 31, 2016

	2016	2015
	\$	\$
Revenue		
Loan Portfolio Interest	14,250	6,316
Interest and Other Revenue	<u>1,914</u>	<u>181</u>
	<u>16,164</u>	<u>6,497</u>
Expenses		
Increase in Provision for Loan Impairment	1,163	2,140
Interest and Bank Charges	<u>18,170</u>	<u>4,825</u>
	<u>19,333</u>	<u>6,965</u>
Deficiency of Revenue over Expenditures	(3,169)	(468)
Deficit - Beginning of Year	<u>(468)</u>	<u>-</u>
Deficit - End of Year	<u>(3,637)</u>	<u>(468)</u>

COMMUNITY FUTURES MOUNT WADDINGTON

Schedule 8 - Micro Loan Investment Fund Statement of Operations and Changes in Fund Balances

(Unaudited)

Year Ended March 31, 2016

	2016	2015
	\$	\$
Revenue		
Loan Portfolio Interest	1,345	751
Interest and Other Revenue	<u>28</u>	<u>69</u>
	<u>1,373</u>	<u>820</u>
Expenses		
Increase in Provision for Loan Impairment	75	3,941
Interest and Bank Charges	<u>219</u>	<u>171</u>
	<u>294</u>	<u>4,112</u>
Excess (Deficiency) of Revenue over Expenditures	1,079	(3,292)
Surplus (Deficit) - Beginning of Year	<u>(2,238)</u>	<u>1,054</u>
Deficit - End of Year	<u>(1,159)</u>	<u>(2,238)</u>

COMMUNITY FUTURES MOUNT WADDINGTON

Schedule 9 - K'awat'si Investment Fund

Statement of Operations and Changes in Fund Balances

(Unaudited)

Year Ended March 31, 2016

2016

2015

	\$	\$
Revenue		
Loan Portfolio Interest	8	-
Interest and Other Revenue	<u>51</u>	<u>-</u>
	<u>59</u>	<u>-</u>
Expenses		
Increase in Provision for Loan Impairment	<u>2</u>	<u>-</u>
Excess of Revenue over Expenditures	57	-
Surplus - Beginning of Year	<u>-</u>	<u>-</u>
Surplus - End of Year	<u>57</u>	<u>-</u>

COMMUNITY FUTURES MOUNT WADDINGTON

Notes to Financial Statements

March 31, 2016

1. Purpose:

Community Futures Development Corporation of Mount Waddington ("CFMW") was established to promote employment and economic development in the Northern Vancouver Island area. The activities of CFMW include delivering various economic and business development and training programs on behalf of the Government of Canada, specifically for Western Economic Diversification. CFMW provides access to loans for small businesses that have difficulty receiving financing from traditional lending institutions. CFMW also operates programs to promote employment and economic development through loans and loan guarantees to qualifying local businesses.

The Corporation, incorporated without share capital under Part II of the Canada Corporations Act; which has been replaced by the Canada Not-for-Profit Corporations Act (S.C. 2009, c.23) is a not-for-profit organization and is exempt from corporate income tax provided certain requirements of the Income Tax Act are met.

2. Significant Accounting Policies:

Basis of Presentation

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations.

CFMW follows the restricted fund method of accounting for contributions. Accordingly, the resources received for each of the specific programs managed by CFMW and the expenditures incurred in the delivery of those programs are segregated for accounting and reporting purposes into the following specific funds:

Administration Fund:

Provides the personnel and other facilities that enable CFMW to deliver the Community Futures Contribution Agreement with Western Economic Diversification (WED) and other related programs.

2. Significant Accounting Policies (Continued):

Self-Employment Fund (SE):

The Self-Employment program is a subcontract with North Island Employment Foundations Society (NIEFS) funded by British Columbia Ministry of Housing and Social Development. This program provides assistance, training and support to individuals (who were previously unemployed and qualify under the Ministry guidelines) in the start-up phase of a business.

Mount Waddington Economic Fund (MWEF):

For economic development activities carried on by CFMW.

Jobs and Career Expo Fund (JCE):

Eight organizations collaborated to plan and host a Jobs and Career Expo in April 2015 in Port Hardy. The Expo was hosted in April 2015.

CFMW has been selected to hold the funds allocated by each participating organization to the Jobs and Career Expo for future events.

Island Coastal Group (IC Group):

Seven Community Futures offices serving Vancouver Island, Power River, Sunshine Coast and Howe Sound comprise a regional network known as Island Coastal Group. Collaborative initiatives such as marketing are undertaken to achieve economies of scale and branding reinforcement.

CFMW has been selected to hold the funds allocated by each participating CF to the Island Coastal Group for joint initiatives.

Investment Funds:

Promotes economic development in the community by providing assistance to small businesses in the form of loans, guarantees or equity investments. CFMW is restricted in the types of loans that can be made, according to its agreements with the federal government.

K'awat'si Investment Fund:

Funded by K'awat'si Economic Development General Partner Corporation (KEDGPC) to stimulate business activity in the Gwa'sala-'Nakwaxda'xw First Nation community through loans to members' businesses.

COMMUNITY FUTURES MOUNT WADDINGTON

Notes to Financial Statements

March 31, 2016

2. Significant Accounting Policies (Continued):

Revenue Recognition

Restricted contributions are recognized as revenue of the appropriate fund in the year received and in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Grant revenue is recognized when received or receivable. Management fee revenue is recognized when received. Interest revenue is recognized when received or receivable. Interest is not accrued on loans which have been classified as impaired.

Property and Equipment

Property and equipment are recorded at cost. Amortization is calculated on a declining balance basis at the following rates:

Office Furniture	20%
Office Equipment	40%
Computer Equipment	50%
Leasehold Improvements	40%

Investments

CFMW follows the cost method of accounting for its investment in the share of Venture Connect Inc., an incorporated company that carries on the business of providing regional training, education and succession planning.

Financial Instruments

Financial instruments are recorded at fair value on initial recognition. CFMW's financial instruments consist of cash and term deposits, accrued interest and accounts receivable, loans receivable, trade accounts payable, wages and benefits payable and repayable contributions from Western Economic Diversification and BC Ministry of Forests.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, CFMW determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset.

2. Significant Accounting Policies (Continued):

Financial Instruments (Continued)

If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount CFMW expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

Use of Estimates

The preparation of financial statements in accordance with accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period.

Significant measurement uncertainty exists surrounding the valuation of loans receivable due to the variance of economic conditions on North Vancouver Island and the nature of loan recipients. Loans receivable are evaluated by management as to their collectability and an appropriate allowance for loan impairment is provided where considered necessary.

3. Loans Receivable:

	2016	2015
	\$	\$
Investment Funds		
Loans Receivable	4,246,014	4,228,905
Less: Allowance for Impaired Loans	<u>541,465</u>	<u>165,705</u>
	3,704,549	4,063,200
Less: Current Portion of Loans Receivable	<u>1,120,216</u>	<u>810,306</u>
	<u>2,584,333</u>	<u>3,252,894</u>

CFMW has provided for credit risk, as defined in Note 10, by establishing allowances for impaired loans and netting the allowances against the carrying value of certain impaired loans.

COMMUNITY FUTURES MOUNT WADDINGTON

Notes to Financial Statements

March 31, 2016

3. Loans Receivable (Continued):

CFMW has also established a general allowance based on management's estimates on collectability of loans, based on a five year historical review of actual write-off's as a percentage of loan balances.

Loans are considered impaired as soon as collection of the full principle and interest on the loan becomes doubtful. Each impaired loan is evaluated separately and written down to the fair market value of any security held. Various forms of security are taken on loans ranging from promissory notes and personal guarantees of principals to chattel mortgages and mortgages over real property. The carrying values of specifically identified impaired loans included in loans receivable is as follows:

	2016	2015
	\$	\$
Investment Funds		
Gross Impaired Loans	554,404	132,911
Allowance	<u>(513,039)</u>	<u>(132,527)</u>
Carrying Value	<u>41,365</u>	<u>384</u>

During the year ended March 31, 2016, CFMW recognized \$1,856 (2015 - \$1,450) in income as a result of the reversal of general allowances for impaired loans, provided for in prior periods.

4. Long Term Investment:

	2016	2015
	\$	\$
Venture Connect Inc.		
- shares at cost	<u>1</u>	<u>1</u>

CFMW holds 16.67% of the issued shares of the company. Loans to the company are unsecured with no specified terms of repayment or stated interest rate. As at March 31, 2016, the loan outstanding of \$10,000 (2015 - \$10,000) had an allowance of \$10,000 (2015 - \$0).

5. Property and Equipment:

	2016	
	Cost	Accumulated Amortization
	\$	\$
Furniture and Equipment	41,665	36,852
Computer Equipment	44,987	37,281
Leasehold Improvements	<u>19,068</u>	<u>16,639</u>
	<u>105,720</u>	<u>90,772</u>

Unamortized Cost 14,948

	2015	
	Cost	Accumulated Amortization
	\$	\$
Furniture and Equipment	42,869	35,621
Computer Equipment	43,726	33,221
Leasehold Improvements	<u>19,068</u>	<u>15,020</u>
	<u>105,663</u>	<u>83,862</u>

Unamortized Cost 21,801

6. Deferred Revenue:

Deferred revenue reported in the SE program represents funds, for restricted program funding, received in the current and prior years that are related to subsequent years. Deferred revenue reported in the Administration Fund represent funds received in advance for administrative operations in the subsequent year. Deferred revenue reported in the IC Group fund is received from other IC members to be used for future IC events.

	2016	2015
	\$	\$
Administration	25,824	-
SE	117,084	118,284
Jobs & Career Expo	981	7,791
IC Group	<u>17,338</u>	<u>24,967</u>
	<u>161,227</u>	<u>151,042</u>

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Notes to Financial Statements

March 31, 2016

7. Long Term Debt:

	2016	2015
	\$	\$
WED - Forestry Community Investment Loan Contribution	500,000	500,000
WED - Fishing Investment Fund Fisheries Legacy Trust Loan Contribution	420,000	420,000
WED - Disabled Investment Fund Loan Contribution	200,000	200,000
WED - Repayable Investment Fund Loan Contribution	350,000	350,000
Government of Canada Loan Contribution	500,000	500,000
K'awat'si Fund Loan Contribution	75,000	-
Community Futures BC Loan Contribution	395,484	972,521
Community Futures CC Loan Contribution	<u>174,202</u>	<u>-</u>
	2,614,686	2,942,521
Less: Current Portion of Long Term Debt	<u>2,182,358</u>	<u>2,163,560</u>
Long Term Debt	<u>432,328</u>	<u>778,961</u>

The Repayable Investment, Forestry Community Investment, and Disabled Investment Fund contributions from Western Economic Diversification Canada are conditionally repayable. If specific conditions (as set out in the agreement) occur, Western Economic Diversification Canada can, by providing notice, request immediate repayment of the lower of the conditionally repayable contribution or the uncommitted cash balance of the conditionally repayable contribution. It is not anticipated that any condition would occur in the next fiscal period that would result in the request for immediate repayment of these loan dollars.

The K'awat'si loan fund contribution carries no interest and no terms of repayment. It is not anticipated the loan will be called in the next fiscal period.

7. Long Term Debt (Continued):

The Government of Canada loan contribution was formerly owed to Forest Renewal BC contributions under the terms of the Forest Community Business Program. These funds are still repayable at 100% of the unloaned fund at termination (plus interest from that date until repaid) and 100% of all loan payments received, net of costs, up to 15% of the balance of funds as at date of termination. Balances are due on 90 days notice or on demand if in default under the terms of the agreement.

The cash balance of the Fishing Investment Fund contributions is repayable on demand.

The loan from Community Futures BC Futures Fund is a five year loan at an annual interest rate of 1.75% with annual loan payments of \$104,773. This loan is secured by a general security agreement.

The loan from Community Futures Cariboo-Chilcotin (CFCC) is a four year loan at an annual interest rate of 1.75% with annual loan payments of \$38,321. This loan is secured by a general security agreement.

8. Commitments:

Lease Commitments

CFMW leases its premises in Port McNeill under an operating lease expiring January 31, 2018 upon which it will be paying rent on a month to month basis. Future minimum lease payments in the Administration Fund are estimated to be as follows:

	\$
2017	30,838
2018	25,698

Other Commitments

CFMW has an authorized line of credit of \$200,000. Interest is payable at prime plus 1.5%. CFMW also has a Visa with a limit of \$15,000. The Visa and line of credit are secured by a general security agreement.

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Notes to Financial Statements

March 31, 2016

9. Inter Fund Transactions:

During the year ended March 31, 2016, certain loan, bank and term deposit interest amounting to \$41,000 (2015 - \$25,100) was transferred from the Investment Fund to the Administration Fund as management fees. This fee was allocated to the following investment funds:

	\$
Fishing	21,000
Forestry Community	20,000

10. Financial Risks and Concentration of Credit Risk:

Credit Risk

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. CFMW is exposed to credit risk with respect to its outstanding loans receivable. CFMW assesses, on a continuous basis, loans receivable and provides for any amounts that are not collectible in the allowance for impaired loans. Further details about the allowance and basis for the allowance are included in Note 3.

Liquidity Risk

Liquidity risk is the risk that the CFMW will be unable to fulfil its obligations on a timely basis or at a reasonable cost. CFMW manages its liquidity risk by monitoring its operating requirements. CFMW derives the cash required to fulfill its operating requirements through collections of its loans receivable from borrowers as well as annual government funding. There has been no change to the risk exposures from 2015.

Interest Rate Risk

CFMW has the potential to be exposed to interest rate risk due its operating line of credit. At March 31, 2016 the operating line of credit had a balance of \$0 (2015 - \$0). There has been no change to the risk exposure from 2015.