

**COMMUNITY FUTURES
MOUNT WADDINGTON
Financial Statements - March 31, 2018**

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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, 2018 and the statement of changes in fund balances, operations and cash flows for the year ended March 31, 2018, 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, 2018, and its financial performance and its cash flows for the year ended March 31, 2018, in accordance with Canadian accounting standards for not-for-profit organizations.

Chan Nowosad Boate Inc.

Chartered Professional Accountants
Campbell River, BC

July 6, 2018

COMMUNITY FUTURES MOUNT WADDINGTON

Statement of Financial Position

	Administration Fund					Investment Funds	March 31, 2018	March 31, 2017 (Note 11)
	Administration	SE	MWEF	Jobs & Career Expo	IC Group			
ASSETS	\$	\$	\$	\$	\$	\$	\$	
Current Assets								
Cash	26,653	114,569	9,044	1,401	18,972	840,609	653,703	
Accounts Receivable	3,013	-	-	-	-	64	9,600	
Prepaid Expenses	1,991	-	-	-	-	-	3,937	
Due from Syndicate Loan	-	-	-	-	-	-	846	
Current Portion of Loans Receivable (Note 3)	31,657	114,569	9,044	1,401	18,972	1,058,200	986,861	
Loans Receivable (Note 3)	-	-	-	-	-	3,106,335	1,654,947	
Long Term Investment (Note 4)	10,168	-	1	-	-	-	1	
Property and Equipment (Note 5)	41,825	114,569	9,045	1,401	18,972	5,005,208	10,850	
							<u>4,887,312</u>	
LIABILITIES AND NET ASSETS								
Current Liabilities								
Bank Indebtedness	-	-	-	-	-	-	75,887	
Accounts Payable	14,670	-	-	-	-	-	23,619	
Wages and Benefits	41,621	-	-	-	-	-	45,523	
Deferred Revenue (Note 6)	25,066	86,084	-	981	1,501	-	176,267	
Due to Syndicate Cfs	-	-	-	-	-	4,432	5,156	
Current Portion - Long Term Debt (Note 7)	-	-	-	-	-	318,629	286,198	
Demand Debt (Note 7)	81,357	86,084	1	981	1,501	2,368,061	2,045,000	
Long Term Debt (Note 7)	-	-	-	-	-	720,897	380,173	
Due (to) from Funds	(17,340)	14,982	4,329	401	(2,372)	4,329	-	
	64,017	101,066	1	1,382	(871)	3,093,287	3,037,823	
Net Assets								
Unrestricted Surplus	(22,192)	-	9,044	11	-	-	(13,137)	
Restricted Surplus	41,825	114,569	9,045	1,401	18,972	5,005,208	1,864,065	
							<u>4,887,312</u>	

Approved by the Directors:



Director



Director

COMMUNITY FUTURES MOUNT WADDINGTON

Statement of Changes in Fund Balances

Year Ended March 31, 2018	Administration Fund						Total 2018	Total 2017 (Note 11)
	Administration	SE	MWEF	Jobs & Career Expo	IC Group	Investment Funds		
	\$	\$	\$	\$	\$	\$	\$	\$
Surplus - Beginning, as previously stated	310	13,503	9,994	11	18,897	1,831,654	1,874,369	1,737,756
Prior Year Adjustment (Note 11)	<u>(24,880)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(24,880)</u>	<u>(20,410)</u>
	(24,570)	13,503	9,994	11	18,897	1,831,654	1,849,489	1,717,346
Excess (Deficiency) of Revenue over Expenditures	<u>(43,922)</u>	<u>-</u>	<u>(950)</u>	<u>8</u>	<u>(4,754)</u>	<u>132,267</u>	<u>82,649</u>	<u>132,143</u>
	(68,492)	13,503	9,044	19	14,143	1,963,921	1,907,258	1,849,489
Interfund Items								
Interfund Transactions (Note 9)	<u>46,300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,700</u>	<u>(52,000)</u>	<u>-</u>	<u>-</u>
Surplus - End	<u><u>(22,192)</u></u>	<u><u>13,503</u></u>	<u><u>9,044</u></u>	<u><u>19</u></u>	<u><u>19,843</u></u>	<u><u>1,911,921</u></u>	<u><u>1,932,138</u></u>	<u><u>1,849,489</u></u>

COMMUNITY FUTURES MOUNT WADDINGTON

Statement of Operations

Year Ended March 31, 2018	Administration Fund						Total 2018	Total 2017 (Note 11)
	Administration	SE	MWEF	Jobs & Career Expo	IC Group	Investment Funds		
	\$	\$	\$	\$	\$	\$	\$	
Revenue								
Federal Government Operating Grants	309,887	-	-	-	-	-	309,887	309,887
Other Government Funding	28,995	60,393	-	-	-	-	89,388	73,629
Projects, Recoveries and Other	56,294	-	-	-	11,159	6,665	74,118	101,753
Interest	432	507	50	8	145	261,611	262,753	243,369
	<u>395,608</u>	<u>60,900</u>	<u>50</u>	<u>8</u>	<u>11,304</u>	<u>268,276</u>	<u>736,146</u>	<u>728,638</u>
Expenses								
	<u>433,336</u>	<u>60,900</u>	<u>1,000</u>	<u>-</u>	<u>16,058</u>	<u>136,009</u>	<u>647,303</u>	<u>589,371</u>
	(37,728)	-	(950)	8	(4,754)	132,267	88,843	139,267
Amortization of Property and Equipment	(6,194)	-	-	-	-	-	(6,194)	(7,122)
Loss on Disposal of Equipment	-	-	-	-	-	-	-	(2)
Excess (Deficiency) of Revenue Over Expenditures	<u>(43,922)</u>	<u>-</u>	<u>(950)</u>	<u>8</u>	<u>(4,754)</u>	<u>132,267</u>	<u>82,649</u>	<u>132,143</u>

COMMUNITY FUTURES MOUNT WADDINGTON

Statement of Operations - Continued

Year Ended March 31, 2018	Administration Fund						Total 2018	Total 2017
	Administration	SE	MWEF	Jobs & Career Expo	IC Group	Investment Funds		
	\$	\$	\$	\$	\$	\$	\$	\$
Expenses								
Wages and Benefits								
Wages and Benefits	290,560	55,563	-	-	-	-	346,123	346,892
Training	39	-	-	-	-	-	39	-
Administration								
Increase in Provision for Loan Impairment	-	-	-	-	-	111,800	111,800	20,513
Communications	11,621	831	-	-	-	-	12,452	10,063
Community Projects	6,424	-	-	-	1,188	-	7,612	42,671
Conferences and Meetings	9,618	128	-	-	1,339	-	11,085	17,632
Dues and Subscriptions	5,588	-	-	-	1,025	-	6,613	6,366
Insurance - General	3,872	-	-	-	-	-	3,872	3,852
Interest and Bank Charges	3,460	-	-	-	-	21,832	25,292	16,833
Loan Processing Costs	4,506	-	-	-	-	2,377	6,883	5,047
Marketing	6,423	-	1,000	-	9,542	-	16,965	16,742
Office and Miscellaneous	14,655	185	-	-	160	-	15,000	20,577
Professional Fees	14,214	-	-	-	-	-	14,214	13,956
Rent and Utilities	35,261	2,534	-	-	-	-	37,795	38,070
Repairs and Maintenance	5,965	-	-	-	-	-	5,965	6,997
Travel	21,130	251	-	-	2,804	-	24,185	20,901
Workshops	-	1,408	-	-	-	-	1,408	2,259
	<u>433,336</u>	<u>60,900</u>	<u>1,000</u>	<u>-</u>	<u>16,058</u>	<u>136,009</u>	<u>647,303</u>	<u>589,371</u>

COMMUNITY FUTURES MOUNT WADDINGTON

Statement of Cash Flows

Year Ended March 31, 2018

	2018	2017
	\$	\$
Cash Flows From Operating Activities:		
Cash Received from Funders and Borrowers	680,156	762,372
Cash Paid to Suppliers, Employees and Participants	<u>(546,407)</u>	<u>(545,822)</u>
	<u>133,749</u>	<u>216,550</u>
Cash Flows From Financing Activities:		
Increase in Long Term Debt	<u>373,155</u>	<u>96,685</u>
Cash Flows From Investing Activities:		
Increase in Loans Receivable	(67,960)	(524,339)
Purchase of Equipment	<u>(5,512)</u>	<u>(3,026)</u>
	<u>(73,472)</u>	<u>(527,365)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	433,432	(214,130)
Cash and Cash Equivalents - Beginning of Year	<u>577,816</u>	<u>791,946</u>
Cash and Cash Equivalents - End of Year	<u><u>1,011,248</u></u>	<u><u>577,816</u></u>
Cash and Cash Equivalents are Represented by:		
Cash on Hand and Held by Financial Institutions	1,011,248	653,703
Bank Indebtedness	<u>-</u>	<u>(75,887)</u>
	<u><u>1,011,248</u></u>	<u><u>577,816</u></u>

COMMUNITY FUTURES MOUNT WADDINGTON

Schedule 1 - Investment Funds

Statement of Financial Position

(Unaudited)

March 31, 2018

	Disabled	Fishing	Forest Community Business	General	Repayable	Mount Waddington	Micro Loan	K'awat'si	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
ASSETS									
Current Assets									
Cash	122,310	29,922	288,030	18,695	109,900	190,857	4,921	75,974	840,609
Accounts Receivable	-	-	-	64	-	-	-	-	64
Prepaid Expenses	-	-	-	-	-	-	-	-	-
Current Portion of Loans Receivable	<u>26,436</u>	<u>288,610</u>	<u>176,029</u>	<u>225,873</u>	<u>140,592</u>	<u>185,570</u>	<u>15,090</u>	<u>-</u>	<u>1,058,200</u>
	148,746	318,532	464,059	244,632	250,492	376,427	20,011	75,974	1,898,873
Loans Receivable	<u>95,153</u>	<u>832,204</u>	<u>493,411</u>	<u>661,996</u>	<u>301,276</u>	<u>721,510</u>	<u>785</u>	<u>-</u>	<u>3,106,335</u>
	<u>243,899</u>	<u>1,150,736</u>	<u>957,470</u>	<u>906,628</u>	<u>551,768</u>	<u>1,097,937</u>	<u>20,796</u>	<u>75,974</u>	<u>5,005,208</u>
LIABILITIES AND NET ASSETS									
Current Liabilities									
Due to Syndicate CFs	82	1,111	-	-	-	3,239	-	-	4,432
Current Portion of Long Term Debt	-	-	-	-	-	318,629	-	-	318,629
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>
	200,082	421,111	1,000,000	-	350,000	321,868	-	75,000	2,368,061
Long Term Debt	-	-	-	-	-	720,897	-	-	720,897
Due (to) from Funds	<u>38</u>	<u>62,025</u>	<u>(60,719)</u>	<u>2,516</u>	<u>(19,890)</u>	<u>354</u>	<u>20,005</u>	<u>-</u>	<u>4,329</u>
	38	62,025	(60,719)	2,516	(19,890)	721,251	20,005	-	725,226
Net Assets									
Restricted Surplus	<u>43,779</u>	<u>667,600</u>	<u>18,189</u>	<u>904,112</u>	<u>221,658</u>	<u>54,818</u>	<u>791</u>	<u>974</u>	<u>1,911,921</u>
	<u>243,899</u>	<u>1,150,736</u>	<u>957,470</u>	<u>906,628</u>	<u>551,768</u>	<u>1,097,937</u>	<u>20,796</u>	<u>75,974</u>	<u>5,005,208</u>

COMMUNITY FUTURES MOUNT WADDINGTON

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

Year Ended March 31, 2018	2018	2017
	\$	\$
Revenue		
Loan Portfolio Interest	10,537	10,951
Interest and Other Revenue	<u>675</u>	<u>(261)</u>
	<u>11,212</u>	<u>10,690</u>
Expenses		
Increase in Provision for Loan Impairment	1,315	1,134
Interest and Bank Charges	<u>367</u>	<u>502</u>
	<u>1,682</u>	<u>1,636</u>
Excess of Revenue over Expenditures	9,530	9,054
Surplus - Beginning of Year	<u>34,249</u>	<u>25,195</u>
Surplus - End of Year	<u>43,779</u>	<u>34,249</u>

COMMUNITY FUTURES MOUNT WADDINGTON

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

Year Ended March 31, 2018	2018	2017
	\$	\$
Revenue		
Loan Portfolio Interest	75,457	65,621
Interest and Other Revenue	<u>771</u>	<u>54</u>
	<u>76,228</u>	<u>65,675</u>
Expenses		
Increase in Provision for Loan Impairment	17,644	14,372
Interest and Bank Charges	529	503
Management Fee	<u>32,000</u>	<u>26,400</u>
	<u>50,173</u>	<u>41,275</u>
Excess of Revenue over Expenditures	26,055	24,400
Surplus - Beginning of Year	<u>641,545</u>	<u>617,145</u>
Surplus - End of Year	<u>667,600</u>	<u>641,545</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, 2018

	2018	2017
	\$	\$
Revenue		
Loan Portfolio Interest	32,866	44,710
Interest and Other Revenue	<u>1,249</u>	<u>486</u>
	<u>34,115</u>	<u>45,196</u>
Expenses		
Increase (Decrease) in Provision for Loan Impairment	9,730	(9,296)
Interest and Bank Charges	302	207
Management Fee	<u>20,000</u>	<u>25,800</u>
	<u>30,032</u>	<u>16,711</u>
Excess of Revenue over Expenditures	4,083	28,485
Surplus (Deficit) - Beginning of Year	<u>14,106</u>	<u>(14,379)</u>
Surplus - End of Year	<u>18,189</u>	<u>14,106</u>

COMMUNITY FUTURES MOUNT WADDINGTON

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

Year Ended March 31, 2018	2018	2017
	\$	\$
Revenue		
Loan Portfolio Interest	49,427	42,617
Interest and Other Revenue	<u>1,196</u>	<u>624</u>
	<u>50,623</u>	<u>43,241</u>
Expenses		
Increase in Provision for Loan Impairment	15,405	5,054
Interest and Bank Charges	229	256
Loan Processing Costs	2,377	1,453
Management Fee	<u>-</u>	<u>30,000</u>
	<u>18,011</u>	<u>36,763</u>
Excess of Revenue over Expenditures	32,612	6,478
Surplus - Beginning of Year	<u>871,500</u>	<u>865,022</u>
Surplus - End of Year	<u>904,112</u>	<u>871,500</u>

COMMUNITY FUTURES MOUNT WADDINGTON

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

Year Ended March 31, 2018	2018	2017
	\$	\$
Revenue		
Loan Portfolio Interest	27,373	32,231
Interest and Other Revenue	<u>602</u>	<u>298</u>
	<u>27,975</u>	<u>32,529</u>
Expenses		
Increase in Provision for Loan Impairment	51,570	2,563
Interest and Bank Charges	<u>335</u>	<u>213</u>
	<u>51,905</u>	<u>2,776</u>
Excess (Deficiency) of Revenue over Expenditures	(23,930)	29,753
Surplus - Beginning of Year	<u>245,588</u>	<u>215,835</u>
Surplus - End of Year	<u>221,658</u>	<u>245,588</u>

COMMUNITY FUTURES MOUNT WADDINGTON

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

Year Ended March 31, 2018	2018	2017
	\$	\$
Revenue		
Loan Portfolio Interest	64,554	45,342
Interest and Other Revenue	<u>1,652</u>	<u>666</u>
	<u>66,206</u>	<u>46,008</u>
Expenses		
Increase in Provision for Loan Impairment	15,857	6,683
Interest and Bank Charges	<u>19,874</u>	<u>11,345</u>
	<u>35,731</u>	<u>18,028</u>
Excess of Revenue over Expenditures	30,475	27,980
Surplus (Deficit) - Beginning of Year	<u>24,343</u>	<u>(3,637)</u>
Surplus - End of Year	<u>54,818</u>	<u>24,343</u>

COMMUNITY FUTURES MOUNT WADDINGTON

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

Year Ended March 31, 2018	2018	2017
	\$	\$
Revenue		
Loan Portfolio Interest	1,397	1,250
Interest and Other Revenue	<u>(53)</u>	<u>33</u>
	<u>1,344</u>	<u>1,283</u>
Expenses		
Increase in Provision for Loan Impairment	279	5
Interest and Bank Charges	<u>196</u>	<u>197</u>
	<u>475</u>	<u>202</u>
Excess of Revenue over Expenditures	869	1,081
Deficit - Beginning of Year	<u>(78)</u>	<u>(1,159)</u>
Surplus (Deficit) - End of Year	<u><u>791</u></u>	<u><u>(78)</u></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, 2018	2018	2017
	\$	\$
Revenue		
Loan Portfolio Interest	-	2
Interest and Other Revenue	<u>573</u>	<u>340</u>
	<u>573</u>	<u>342</u>
Expenses		
Decrease in Provision for Loan Impairment	<u>-</u>	<u>(2)</u>
Excess of Revenue over Expenditures	573	344
Surplus - Beginning of Year	<u>401</u>	<u>57</u>
Surplus - End of Year	<u>974</u>	<u>401</u>

COMMUNITY FUTURES MOUNT WADDINGTON

Notes to Financial Statements

March 31, 2018

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) and 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, the Sunshine Coast and Howe Sound comprise a regional network known as the 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, 2018

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 the 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 Canadian 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:

	2018	2017
	\$	\$
Investment Funds		
Loans Receivable	4,386,441	4,663,605
Less: Allowance for Impaired Loans	<u>221,906</u>	<u>455,230</u>
	4,164,535	4,208,375
Less: Current Portion of Loans Receivable	<u>1,058,200</u>	<u>986,861</u>
	<u>3,106,335</u>	<u>3,221,514</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.

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Notes to Financial Statements

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3. Loans Receivable (Continued):

CFMW has also established a general allowance based on management's estimates of collectability of loans as well as based on the application of a five year historical review of actual write-off's as a percentage of loan balances, with that percentage being applied to the outstanding balance of Loans Receivable not already allowed for.

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:

	2018	2017
	\$	\$
Investment Funds		
Gross Impaired Loans	183,428	435,171
Allowance	<u>(105,535)</u>	<u>(403,970)</u>
Carrying Value	<u>77,893</u>	<u>31,201</u>

During the year ended March 31, 2018, CFMW recognized \$0 (2017 - \$9,298) in income as a result of the reversal of general allowances for impaired loans, provided for in prior periods.

4. Long Term Investment:

	2018	2017
	\$	\$
Venture Connect Inc.		
- shares at cost	<u>1</u>	<u>1</u>

CFMW holds 16.67% of the issued shares of Venture Connect Inc. Loans to the company are unsecured with no specified terms of repayment or stated interest rate. As at March 31, 2018, the loan outstanding of \$10,000 (2017 - \$10,000) had an allowance of \$10,000 (2017 - \$10,000).

5. Property and Equipment:

	2018	
	Cost	Accumulated Amortization
	\$	\$
Furniture and Equipment	41,439	39,158
Computer Equipment	52,855	45,843
Leasehold Improvements	<u>19,068</u>	<u>18,193</u>
	<u>113,362</u>	<u>103,194</u>
Unamortized Cost	<u>10,168</u>	
	2017	
	Cost	Accumulated Amortization
	\$	\$
Furniture and Equipment	41,665	38,388
Computer Equipment	47,344	41,228
Leasehold Improvements	<u>19,068</u>	<u>17,611</u>
	<u>108,077</u>	<u>97,227</u>
Unamortized Cost	<u>10,850</u>	

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. Deferred Revenue reported in the Investment Fund represents funds received for the loan set-up fees that will be amortized over the life of the loans.

	2018	2017
	\$	\$
SE	86,084	117,084
JCE	981	981
IC Group	1,501	7,498
Administration	<u>25,066</u>	<u>50,704</u>
	<u>113,632</u>	<u>176,267</u>

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Notes to Financial Statements

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7. Long Term Debt:

	2018	2017
	\$	\$
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	75,000
Community Futures BC Loan Contribution	943,748	531,240
Community Futures CC Loan Contribution	<u>95,778</u>	<u>135,131</u>
	3,084,526	2,711,371
Less: Current Portion - Long Term Debt	<u>2,363,629</u>	<u>2,331,198</u>
Long Term Debt	<u><u>720,897</u></u>	<u><u>380,173</u></u>

The Forestry Community Investment, Disabled Investment and Repayable Investment Funds 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 1.85% with annual loan payments of \$293,365. 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 1.85% with annual loan payments of \$41,805. 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, 2021 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:

	\$
2019	30,838
2020	30,838
2021	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. At March 31, 2018, CFMW had not drawn on the line of credit.

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9. Inter Fund Transactions:

During the year ended March 31, 2018, certain loan, bank and term deposit interest amounting to \$52,000 (2017 - \$82,200) was transferred from the Investment Fund to the Administration Fund and the IC Group as management fees. This fee was allocated from the following investment funds and is presented as a management fee expense within the unaudited schedules:

	\$
Fishing	32,000
Forestry Community	<u>20,000</u>
	<u>52,000</u>

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 2017.

Interest Rate Risk

CFMW has the potential to be exposed to interest rate risk due its operating line of credit. At March 31, 2018 the operating line of credit had a balance of \$0 (2017 - \$75,887) and as a result interest rate risk is considered to be low. There has been no change to the risk exposure from 2017.

11. Prior Period Adjustment:

During the year ending March 31, 2018 it was identified that the accumulation of loan set-up fees that were required under S. 3856, Part II of the CPA Handbook to be deferred and recognized over the term of the loans was material to the financial statements. In prior periods due to the administrative time required to track these fees and the immaterial value of these fees to the statements of financial position and operations they had previously been recognized as revenue in the year of receipt.

As a result of the above and the requirement to defer the loan set up fees in both the prior and current period the comparative financial information for the year-ending March 31, 2017 has been adjusted and restated as detailed below:

	2017 as previously stated	Adjustment	2017 as restated
Deferred Revenue	151,387	24,880	176,267
Net assets, end of year	10,304	(24,880)	(14,576)
Revenues	733,108	(4,470)	728,638
Surplus of Revenues over Expenditure	136,613	(4,470)	132,143