

**COMMUNITY FUTURES
MOUNT WADDINGTON
Financial Statements - March 31, 2014**

Independent Auditors' Report
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Statement of Changes in Fund Balances
Statement of Operations
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Boates

C H A R T E R E D A C C O U N T A N T S

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, 2014 and the statement of changes in fund balances, operations and cash flows for the year ended March 31, 2014, 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, 2014, and its financial performance and its cash flows for the year ended March 31, 2014, in accordance with Canadian accounting standards for not-for-profit organizations.

Chartered Accountants
Campbell River, BC

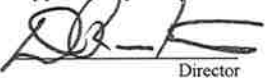
June 26, 2014

COMMUNITY FUTURES MOUNT WADDINGTON

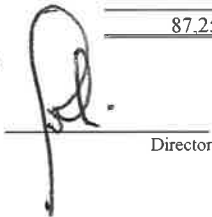
Statement of Financial Position

	Administration Fund						Investment Funds	March 31, 2014	March 31, 2013
	Administration	SE	MWEF	WestCCAP	IC Group	IC Conference			
	\$	\$	\$	\$	\$	\$	\$	\$	
ASSETS									
Current Assets									
Cash	59,277	124,809	5,744	-	21,654	5,014	779,822	996,320	1,145,145
Accounts Receivable	2,644	-	-	-	-	-	42	2,686	13,527
Prepaid Expenses	3,115	-	-	-	-	5,132	-	8,247	2,612
Current Portion of Loans Receivable (Note 3)	-	-	-	-	-	-	788,686	788,686	728,030
	<u>65,036</u>	<u>124,809</u>	<u>5,744</u>	<u>-</u>	<u>21,654</u>	<u>10,146</u>	<u>1,568,550</u>	<u>1,795,939</u>	<u>1,889,314</u>
Loans Receivable (Note 3)	-	-	-	-	-	-	2,189,782	2,189,782	2,211,151
Due (to) from Funds	(7,115)	7,572	-	-	4,674	(5,131)	-	-	-
Long Term Investments (Note 4)	-	-	1	-	-	-	-	1	1
Due from Related Party (Note 4)	-	-	35,000	-	-	-	-	35,000	35,000
Property and Equipment (Note 5)	<u>29,329</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,329</u>	<u>43,448</u>
	<u>87,250</u>	<u>132,381</u>	<u>40,745</u>	<u>-</u>	<u>26,328</u>	<u>5,015</u>	<u>3,758,332</u>	<u>4,050,051</u>	<u>4,178,914</u>
LIABILITIES AND NET ASSETS									
Current Liabilities									
Accounts Payable	10,433	-	1	-	1	5,000	-	15,435	109,663
Wages and Benefits	33,417	-	-	-	-	-	-	33,417	27,260
Deferred Revenue (Note 6)	25,824	118,284	-	-	26,292	-	-	170,400	282,599
Demand Debt (Note 7)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,970,000</u>	<u>1,970,000</u>	<u>1,970,000</u>
	<u>69,674</u>	<u>118,284</u>	<u>1</u>	<u>-</u>	<u>26,293</u>	<u>5,000</u>	<u>1,970,000</u>	<u>2,189,252</u>	<u>2,389,522</u>
Net Assets									
Unrestricted Surplus	17,576	-	40,744	-	35	15	-	58,370	66,763
Restricted Surplus	<u>-</u>	<u>14,097</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,788,332</u>	<u>1,802,429</u>	<u>1,722,629</u>
	<u>87,250</u>	<u>132,381</u>	<u>40,745</u>	<u>-</u>	<u>26,328</u>	<u>5,015</u>	<u>3,758,332</u>	<u>4,050,051</u>	<u>4,178,914</u>

Approved by the Directors:



Director



Director

COMMUNITY FUTURES MOUNT WADDINGTON

Statement of Changes in Fund Balances

Year Ended March 31, 2014	Administration Fund						Investment Funds	Total 2014	Total 2013
	Administration	SE	MWEF	WestCCAP	IC Group	IC Conference			
	\$	\$	\$	\$	\$	\$	\$	\$	
Surplus - Beginning	31,695	13,986	35,068	-	-	-	1,708,643	1,789,392	1,565,761
Excess (Deficiency) of Revenue over Expenditures	(36,119)	111	5,676	-	35	15	101,689	71,407	223,631
	(4,424)	14,097	40,744	-	35	15	1,810,332	1,860,799	1,789,392
Interfund Items									
Interfund Transactions (Note 9)	22,000	-	-	-	-	-	(22,000)	-	-
Surplus - End	17,576	14,097	40,744	-	35	15	1,788,332	1,860,799	1,789,392

COMMUNITY FUTURES MOUNT WADDINGTON

Statement of Operations

Year Ended March 31, 2014	Administration Fund						Investment Funds	Total 2014	Total 2013
	Administration	SE	MWEF	WestCCAP	IC Group	IC Conference			
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue									
Federal Government Grants									
- Operating	309,887	-	-	-	-	-	-	309,887	309,887
- Programs	5,901	-	-	200,000	-	-	-	205,901	560,616
Other Government Funding	24,001	22,329	8,118	-	-	-	-	54,448	48,071
Projects, Recoveries and Other	51,186	-	-	-	4,748	-	-	55,934	48,799
Interest	2,081	694	58	-	137	15	182,977	185,962	175,210
	<u>393,056</u>	<u>23,023</u>	<u>8,176</u>	<u>200,000</u>	<u>4,885</u>	<u>15</u>	<u>182,977</u>	<u>812,132</u>	<u>1,142,583</u>
Expenses									
	<u>410,634</u>	<u>22,912</u>	<u>2,500</u>	<u>200,000</u>	<u>4,850</u>	<u>-</u>	<u>81,288</u>	<u>722,184</u>	<u>903,965</u>
	(17,578)	111	5,676	-	-	-	101,689	89,948	238,618
Amortization of Property and Equipment	(18,280)	-	-	-	-	-	-	(18,280)	(14,523)
Loss on Disposal of Equipment	(261)	-	-	-	-	-	-	(261)	(464)
Excess (Deficiency) of Revenue Over Expenditures	<u>(36,119)</u>	<u>111</u>	<u>5,676</u>	<u>-</u>	<u>35</u>	<u>15</u>	<u>101,689</u>	<u>71,407</u>	<u>223,631</u>

COMMUNITY FUTURES MOUNT WADDINGTON

Statement of Operations - Continued

Year Ended March 31, 2014	Administration Fund						Investment Funds	Total 2014	Total 2013
	Administration	SE	MWEF	WestCCAP	IC Group	IC Conference			
	\$	\$	\$	\$	\$	\$	\$	\$	
Expenses									
Wages and Benefits									
Wages and Benefits	271,821	10,596	-	-	-	-	-	282,417	270,768
Participant Wages and Benefits	-	-	-	-	-	-	-	-	1,741
Training	1,052	-	-	-	-	-	-	1,052	-
Administration									
Increase (Reduction) in Provision for Loan Impairment	-	-	-	-	-	-	79,294	79,294	(56,931)
Communications	15,666	793	-	-	769	-	-	17,228	12,907
Community Projects	-	-	2,500	200,000	-	-	-	202,500	545,914
Conferences and Meetings	11,613	-	-	-	-	-	-	11,613	6,771
Dues and Subscriptions	8,127	2,737	-	-	458	-	-	11,322	6,538
Insurance - General	3,343	-	-	-	-	-	-	3,343	3,415
Interest and Bank Charges	3,180	-	-	-	-	-	1,957	5,137	4,628
Loan Processing Costs	2,161	-	-	-	-	-	37	2,198	1,504
Marketing	7,450	261	-	-	2,909	-	-	10,620	11,000
Office and Miscellaneous	11,903	1,484	-	-	214	-	-	13,601	22,544
Professional Fees	14,725	-	-	-	-	-	-	14,725	-
Rent and Utilities	31,654	2,534	-	-	-	-	-	34,188	33,916
Repairs and Maintenance	11,383	2,141	-	-	-	-	-	13,524	19,032
Travel	16,406	663	-	-	500	-	-	17,569	18,160
Workshops	150	1,703	-	-	-	-	-	1,853	2,058
	<u>410,634</u>	<u>22,912</u>	<u>2,500</u>	<u>200,000</u>	<u>4,850</u>	<u>-</u>	<u>81,288</u>	<u>722,184</u>	<u>903,965</u>

COMMUNITY FUTURES MOUNT WADDINGTON

Statement of Cash Flows

Year Ended March 31, 2014

	2014	2013
	\$	\$
Cash Flows From Operating Activities:		
Cash Received from Funders and Borrowers	710,774	868,073
Cash Paid to Suppliers, Employees and Participants	<u>(815,890)</u>	<u>(860,473)</u>
	<u>(105,116)</u>	<u>7,600</u>
Cash Flows From Financing Activities:		
Loan to Related Company	<u>-</u>	<u>(10,000)</u>
Cash Flows From Investing Activities:		
Increase in Loans Receivable	(39,287)	(594,097)
Purchase of Equipment	<u>(4,422)</u>	<u>(42,375)</u>
	<u>(43,709)</u>	<u>(636,472)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(148,825)	(638,872)
Cash and Cash Equivalents - Beginning of Year	<u>1,145,145</u>	<u>1,784,017</u>
Cash and Cash Equivalents - End of Year	<u>996,320</u>	<u>1,145,145</u>
Cash and Cash Equivalents are Represented by:		
Cash on Hand and Held by Financial Institutions	<u>996,320</u>	<u>1,145,145</u>

COMMUNITY FUTURES MOUNT WADDINGTON

Schedule 1 - Investment Funds

Statement of Financial Position (Unaudited)

March 31, 2014

	Disabled	Fishing	Forest Community	General Investment	Repayable Investment	Micro	Total
	\$	\$	\$	\$	\$	\$	\$
ASSETS							
Current Assets							
Cash	206,921	177,334	2,155	376,522	1,047	15,843	779,822
Accounts Receivable	-	-	-	42	-	-	42
Prepaid Expenses	-	-	-	-	-	-	-
Current Portion of Loans Receivable	<u>27,336</u>	<u>251,841</u>	<u>246,645</u>	<u>182,091</u>	<u>78,343</u>	<u>2,430</u>	<u>788,686</u>
	234,257	429,175	248,800	558,655	79,390	18,273	1,568,550
Loans Receivable	7,236	541,697	705,489	521,396	411,181	2,783	2,189,782
Due (to) from Funds	<u>(2)</u>	<u>(2)</u>	<u>(3,050)</u>	<u>3,116</u>	<u>19,940</u>	<u>(20,002)</u>	<u>-</u>
	<u>241,491</u>	<u>970,870</u>	<u>951,239</u>	<u>1,083,167</u>	<u>510,511</u>	<u>1,054</u>	<u>3,758,332</u>
LIABILITIES AND NET ASSETS							
Current Liabilities							
Demand Debt	200,000	420,000	1,000,000	-	350,000	-	1,970,000
Net Assets							
Restricted Surplus (Deficit)	<u>41,491</u>	<u>550,870</u>	<u>(48,761)</u>	<u>1,083,167</u>	<u>160,511</u>	<u>1,054</u>	<u>1,788,332</u>
	<u>241,491</u>	<u>970,870</u>	<u>951,239</u>	<u>1,083,167</u>	<u>510,511</u>	<u>1,054</u>	<u>3,758,332</u>

COMMUNITY FUTURES MOUNT WADDINGTON

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

Year Ended March 31, 2014

	2014	2013
	\$	\$
Revenue		
Loan Portfolio Interest	2,852	6,845
Interest and Other	<u>1,286</u>	<u>572</u>
	<u>4,138</u>	<u>7,417</u>
Expenses		
Reduction in Provision for Loan Impairment	(38)	(5,083)
Interest and Bank Charges	<u>216</u>	<u>185</u>
	<u>178</u>	<u>(4,898)</u>
Excess of Revenue over Expenditures	3,960	12,315
Surplus - Beginning of Year	<u>37,531</u>	<u>25,216</u>
Surplus - End of Year	<u>41,491</u>	<u>37,531</u>

COMMUNITY FUTURES MOUNT WADDINGTON

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

(Unaudited)

Year Ended March 31, 2014

	2014	2013
	\$	\$
Revenue		
Loan Portfolio Interest	42,283	35,263
Interest and Other	<u>2,365</u>	<u>1,476</u>
	<u>44,648</u>	<u>36,739</u>
Expenses		
Increase (Reduction) in Provision for Loan Impairment	2,445	(25,926)
Interest and Bank Charges	376	285
Management Fee	<u>11,000</u>	<u>11,000</u>
	<u>13,821</u>	<u>(14,641)</u>
Excess of Revenue over Expenditures	30,827	51,380
Surplus - Beginning of Year	<u>520,043</u>	<u>468,663</u>
Surplus - End of Year	<u>550,870</u>	<u>520,043</u>

COMMUNITY FUTURES MOUNT WADDINGTON

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

(Unaudited)

Year Ended March 31, 2014

	2014	2013
	\$	\$
Revenue		
Loan Portfolio Interest	48,960	47,947
Interest and Other	<u>1,372</u>	<u>640</u>
	<u>50,332</u>	<u>48,587</u>
Expenses		
Increase (Reduction) in Provision for Loan Impairment	28,582	(25,738)
Interest and Bank Charges	245	255
Management Fee	<u>11,000</u>	<u>11,000</u>
	<u>39,827</u>	<u>(14,483)</u>
Excess of Revenue over Expenditures	10,505	63,070
Surplus - Beginning of Year	<u>(59,266)</u>	<u>(122,336)</u>
Surplus (Deficit) - End of Year	<u>(48,761)</u>	<u>(59,266)</u>

COMMUNITY FUTURES MOUNT WADDINGTON

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

(Unaudited)

Year Ended March 31, 2014

	2014	2013
	\$	\$
Revenue		
Loan Portfolio Interest	49,884	50,105
Interest and Other	<u>87</u>	<u>3,490</u>
	<u>49,971</u>	<u>53,595</u>
Expenses		
Increase in Provision for Loan Impairment	45,273	3,152
Interest and Bank Charges	252	206
Management Fees	<u>-</u>	<u>7,500</u>
	<u>45,525</u>	<u>10,858</u>
Excess of Revenue over Expenditures	4,446	42,737
Surplus - Beginning of Year	<u>1,078,721</u>	<u>1,035,984</u>
Surplus - End of Year	<u>1,083,167</u>	<u>1,078,721</u>

COMMUNITY FUTURES MOUNT WADDINGTON

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

(Unaudited)

Year Ended March 31, 2014

	2014	2013
	\$	\$
Revenue		
Loan Portfolio Interest	32,861	21,927
Interest and Other	<u>95</u>	<u>553</u>
	<u>32,956</u>	<u>22,480</u>
Expenses		
Increase (Reduction) in Provision for Loan Impairment	1,136	(2,761)
Interest and Bank Charges	<u>310</u>	<u>420</u>
	<u>1,446</u>	<u>(2,341)</u>
Excess of Revenue over Expenditures	31,510	24,821
Surplus - Beginning of Year	<u>129,001</u>	<u>104,180</u>
Surplus - End of Year	<u>160,511</u>	<u>129,001</u>

COMMUNITY FUTURES MOUNT WADDINGTON

Schedule 7 - Community Economic Adjustment Initiative Investment Fund Statement of Operations and Changes in Fund Balances

(Unaudited)

Year Ended March 31, 2014

	2014	2013
	\$	\$
Revenue		
Interest and Other	-	1
Expenses		
Management Fee	-	260
Deficiency of Revenue over Expenditures	-	(259)
Surplus - Beginning of Year	-	259
Surplus - End of Year	-	-

COMMUNITY FUTURES MOUNT WADDINGTON

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

(Unaudited)

Year Ended March 31, 2014

	2014	2013
	\$	\$
Revenue		
Loan Portfolio Interest	767	1,291
Interest and Other	<u>165</u>	<u>44</u>
	<u>932</u>	<u>1,335</u>
Expenses		
Increase (Reduction) in Provision for Loan Impairment	1,896	(575)
Interest and Bank Charges	<u>596</u>	<u>585</u>
	<u>2,492</u>	<u>10</u>
Excess (Deficiency) of Revenue over Expenditures	(1,560)	1,325
Surplus - Beginning of Year	<u>2,614</u>	<u>1,289</u>
Surplus - End of Year	<u>1,054</u>	<u>2,614</u>

COMMUNITY FUTURES MOUNT WADDINGTON

Notes to Financial Statements

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, c23, 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.

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.

2. Significant Accounting Policies (Continued):

Mount Waddington Economic Fund (MWEF):

For economic development activities carried on by CFMW.

WestCCAP Funds:

The West Coast Community Adjustment Program (WestCCAP) is to support economic growth, job creation and the future sustainability of B.C. coastal communities affected by challenges within the salmon fishery. This program is delivered on behalf of WED.

Island Coastal Group (IC Group):

Seven Community Futures offices serving Vancouver Island, Power River, Sunshine Coast and Howe Sound comprise a strong 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.

Community Futures Conference (IC Conference):

Seven Community Futures offices serving Vancouver Island, Power River, Sunshine Coast and Howe Sound comprise a strong regional network known as Island Coastal Group who has been selected by Community Futures British Columbia to organize and host the 2014 fall Community Futures conference in Victoria, BC which all funds within IC Conference are to be used for.

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.

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.

COMMUNITY FUTURES MOUNT WADDINGTON

Notes to Financial Statements

2. Significant Accounting Policies (Continued):

Revenue Recognition (Continued):

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. 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.

2. Significant Accounting Policies (Continued):

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 receipts. 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:

	2014	2013
	\$	\$
Investment Funds		
Loans Receivable	3,109,070	3,068,000
Less: Allowance for Impaired Loans	<u>130,602</u>	<u>128,819</u>
	2,978,468	2,939,181
Less: Current Portion of Loans Receivable	<u>788,686</u>	<u>728,030</u>
	<u>2,189,782</u>	<u>2,211,151</u>

CFMW has provided for credit risk, as defined in Note 11, by establishing allowances for impaired loans and netting the allowances against the carrying value of certain impaired loans. 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-offs 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.

COMMUNITY FUTURES MOUNT WADDINGTON

Notes to Financial Statements

3. Loans Receivable (Continued):

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:

	2014	2013
	\$	\$
Investment Funds		
Gross Impaired Loans	162,463	112,800
Allowance	<u>(107,185)</u>	<u>(112,800)</u>
Carrying Value	<u>55,278</u>	<u>-</u>

During the year ended March 31, 2014, CFMW recognized \$38 (2013 - \$60,083) in income as a result of the reversal of general allowances for impaired loans, provided for in prior periods.

4. Long Term Investment:

	2014	2013
	\$	\$
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, 2014, there was a loan outstanding of \$35,000 (2013 - \$35,000).

5. Property and Equipment:

	2014	
	Cost	Accumulated Amortization
	\$	\$
Furniture and Equipment	42,869	31,800
Computer Equipment	37,387	25,873
Leasehold Improvements	<u>19,068</u>	<u>12,322</u>
	<u>99,324</u>	<u>69,995</u>
Unamortized Cost	<u>29,329</u>	

5. Property and Equipment (Continued):

	2013	
	Cost	Accumulated Amortization
	\$	\$
Furniture and Equipment	68,944	46,062
Computer Equipment	35,116	18,457
Leasehold Improvements	<u>13,566</u>	<u>9,659</u>
	<u>117,626</u>	<u>74,178</u>
Unamortized Cost	<u>43,448</u>	

6. Deferred Revenue:

Deferred revenue reported in the SE and WestCCAP Funds represent 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.

	2014	2013
	\$	\$
Administration	25,824	-
SE	118,284	76,968
WestCCAP	-	200,000
IC Group	<u>26,292</u>	<u>-</u>
	<u>170,400</u>	<u>276,968</u>

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7. Demand Debt:

	2014	2013
	\$	\$
WED - Forestry 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	<u>500,000</u>	<u>500,000</u>
	<u>1,970,000</u>	<u>1,970,000</u>

The Repayable 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 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.

8. Commitments:

Lease Commitments

CFMW leases its premises in Port McNeill under an operating lease expiring May 2014 upon which it will be paying rent on a month to month basis. Future minimum lease payments in the Administration Fund over the next 2 months are estimated to be as follows:

	\$
2015	3,338

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.

9. Inter-Fund Transactions:

During the year ended March 31, 2014, certain loan, bank and term deposit interest amounting to \$22,000 (2013 - \$29,760) was transferred from the Investment Fund to the Administration Fund as management fees. This fee was allocated to the following investment funds:

	\$
Fishing Fund	11,000
Forestry Fund	11,000

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Notes to Financial Statements

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 4.

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 2013.

Interest Rate Risk

CFMW has the potential to be exposed to interest rate risk due its operating line of credit. At March 31, 2014 the operating line of credit had a balance of \$0 (2013 - \$0). There has been no change to the risk exposure from 2013.