

**Annual
Report
2013-2014**



*Community Futures
Development Corporation
of the North Fraser*

Growing Communities One Idea at a Time

Chair and Executive Director's Message



Cal Crawford

In 2013-2014 Community Futures North Fraser worked with entrepreneurs and small business in our area to help support the local economy. Through our loan program, advisory services and our efforts supporting economic development we continue to promote Mission, Harrison Hot Springs, Kent/Agassiz, Harrison Mills, Deroche, and Dewdney as a great area to do business.

In this past fiscal year we approved \$458,430 in loans and provided 297 client advisory sessions. We provided leadership or support for more than 15 economic development initiatives, and leveraged \$20,000 in funding for projects we initiated.

The operation of each Community Futures office is governed by a local Board of Directors, and we extend our sincerest appreciation to the volunteer Board for their commitment to the goals of this organization. We also recognize the staff of the corporation, whose dedication to both our clients and our organization is greatly appreciated.



Allan Main

Community Futures is fortunate to work with entrepreneurs who invest in their business and in the communities we serve — business owners who believe in the potential of the North Fraser and contribute to the local economy.

Community Futures is a collaborative organization that supports small business through partnerships with many other organizations. This year we worked to strengthen our partnerships, and we would like to acknowledge our many partners. Without their co-operation, and support, our achievements would be limited.

Cal Crawford, Chair

Allan Main, Executive Director

Board of Directors

Calvin Crawford
Mission, BC
Chair

Stephanie Key
Agassiz, BC
Vice-Chair

Sean Melia
Mission, BC
Director

Grace Saris
Mission, BC
Director

Freddy Marks
Harrison Hot Springs, BC
Director

Raymond Szabada
Harrison Mills, BC
Director

Sheri Yakashiro
Mission, BC
Director

Manny Deol
Mission, BC
Director

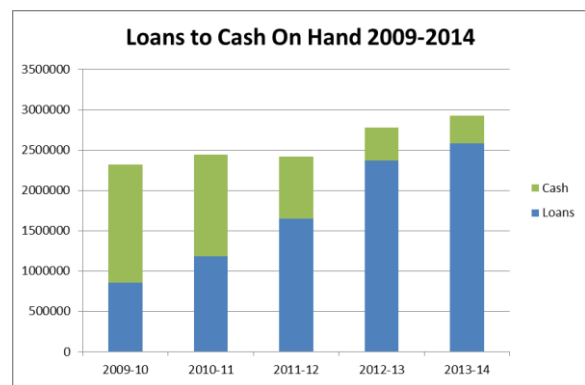
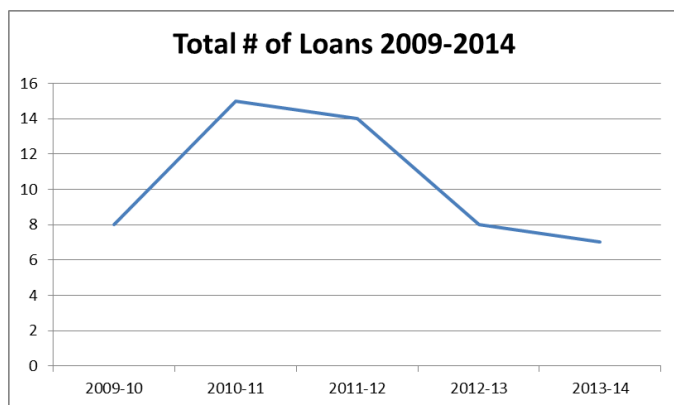
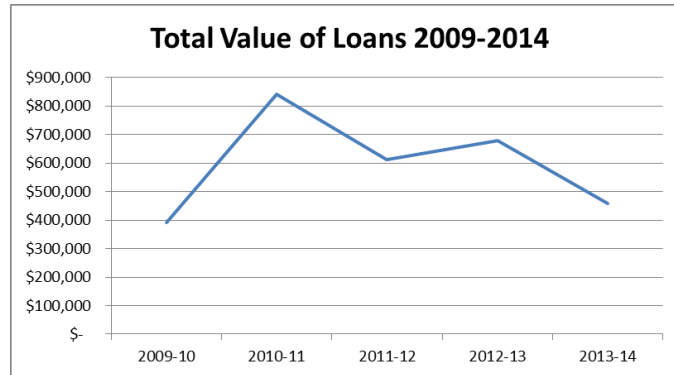


Loans

The dollar value of loans completed in 2013-14 was \$458,430, down 32% from the loans in 2012-13 with a value of \$678,520. This year's loan value was also below our five year average of \$596,345. A total of 7 loans were dispersed in the past fiscal, below the 8 loans in 2012-13, and below the five year average of 10.4 loans. The average value of loans completed in 2013-14 was \$65,490, which is comparable to the five year average of \$59,820.

While 2013-2014 was not a strong year for loan dollars or numbers, we did continue to strengthen our loan fund over the past year, which grew 5.3% to \$2.926 million. Our cash on hand was also reduced by almost 15%, so cash on hand is now 12% of our loan fund at \$347,217. Cash on hand is at the lower end of our target, but with additional capital available through the Provincial CF pooled funds we do have access to additional money when needed.

We continue to grow our loan fund while keeping the funds working in the community, and although our allowance for credit losses increased by \$4738 to \$193008 to account for underperforming loans, as a percent of our total portfolio this allowance decreased from 7.9% to 7.5%, which is within an acceptable range for the type of loan we support. The allowance for credit losses is a measure of loans that are currently under-performing, and not loans that are in default, so there is still the potential to realize some gain on these loans.

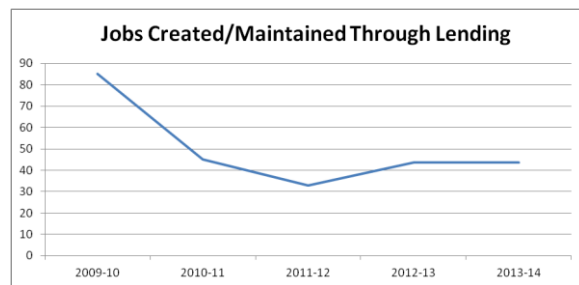


Loans Receivable

	2014	2013
Investment Fund total	2,926,099	2,778,331
Cash on hand	347,217	406,750
Gross loans receivable	2,578,882	2,371,581
Allowance for credit losses	193,008	188,271
Net loans receivable	2,385,874	2,183,310
Current portion due w/i one year	357,885	327,497
Loans Receivable on Balance Sheet	2,027,989	1,855,813

Jobs Supported Through Lending Activity

Our loans are intended to support the local economy and a key indicator of the effectiveness of our loan activity is the number of jobs created or maintained through lending. Although our loan activity was down last year we created or maintained 43.5 jobs, the same number as in 2012-2013.

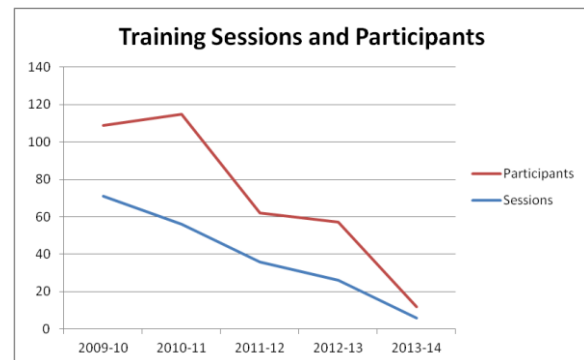
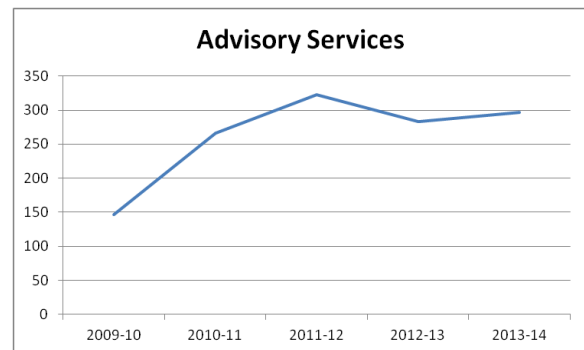


Advisory Services and Training

The one-on-one support we provide to local business people is a valuable part of the services we offer, and this past year we delivered almost 300 advisory sessions.

Small business owners and entrepreneurs continue to find value in the personal service provided through our advisory services. The opportunity for the client to work with one of our advisors is a service unique to Community Futures, and an area where we continue to provide an important service to the communities we serve.

While our advisory services remain strong, the training sessions provided by this office continue to decline. While this office promotes training sessions offered through other organizations, such as Small Business BC we are generally not getting credit for CFNF clients participating in these training sessions. Through this office we continue to offer



training, but the in-person training we provide needs to generate more attendees to justify the cost, and only select content attracts a sufficient audience. We will continue to offer training on specific topics when we see a specific need, such as the WordPress seminar and the Succession planning seminar we have offered in the recent past.

Community Economic Development

The community economic development initiatives undertaken by this office are intended to support economic growth and improve the conditions for business success. Some of the activities we were involved in over the past year have included:

- Downtown Mission improvements with CFNF taking the lead for creation of the Façade Grant initiative by writing the proposal and creating all documentation for the program. The Façade Grant provides matching funds of up to \$2,000 for any downtown business making improvements to the street front of the building. CFNF was able to get a \$15,000 commitment from the District of Mission and \$5,000 from the Mission Downtown Business Association to fund this project. CFNF has been involved in the Downtown revitalisation initiative from the beginning, participating in the charrette process, and we continue to participate in the downtown stockholders meetings.
- Lifestyle is often discussed as an attractive feature to living in this area, and the accessibility of outdoor recreation opportunities are a major part of this appeal. There are a few initiatives to leverage this resource for the benefit of the community, and we have been involved with these initiatives to develop recreational product in the North Fraser. One initiative we are involved with is the West Stave project which is working to locate a Tim Horton's youth camp within the District of Mission. As part of this process the committee we are on is looking for other recreation and economic opportunities that could locate in this interpretive forest. The Harrison and Agassiz areas also have development opportunities around recreational product, and with the tourism focus of many businesses in this area access to outdoor recreation is one of the best opportunities to increase tourist visits that support local small business.
- Like so many people and businesses in the Mission area this office supported the Mission 2014 BC Winter Games, with both the organization and staff contributing to the success of this major community event, where Mission hosted young athletes and their families from all areas of BC.
- Agriculture is an area we have generally felt is underrepresented in our loan portfolio and in the clients using our advisory services. This year we initiated a 4H loan program. This loan option is used by other Community Futures offices to support both young entrepreneurs, and agriculture. We expect to have our first loan with the start of fall projects.
- We continue our ongoing involvement in the communities we serve and this year the CFNF Executive Director became a member of the Harrison Agassiz Chamber of Commerce, while continuing to sit on the board of the Mission Regional Chamber of Commerce, the Mission Economic Development Select Committee, and the Mission Tourism Committee as well as other sub committees and task forces.

Strategic Direction

In October, 2013, the board of CFNF held a strategic planning session to help set priorities and direction for the staff. Key areas identified for development projects are retail, agriculture, manufacturing and technology, tourism, youth and business succession. We have existing projects in some of these areas, and we have initiated new projects to continue to make sure this organization is effective in promoting economic growth and diversity. A key point raised in the discussion is the importance to identify projects in all regions served by this office, and we are increasingly conscious of the need to participate and promote our services through all of the North Fraser.

Clients

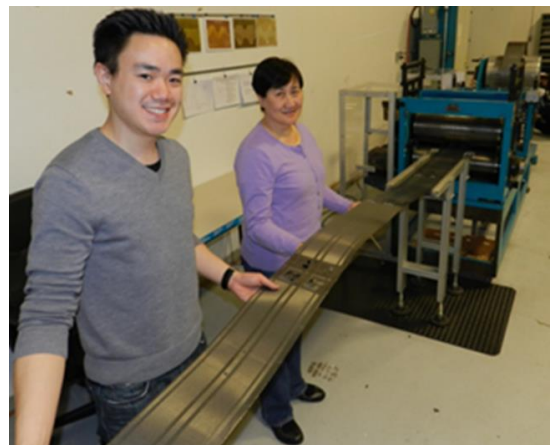
Terrella Industries

Terrella Industries received IRAP funding to prove concept for their technique of roller embossing graphite. The properties of graphite as a conductor of electricity and heat, and as a material that is thermally stable and non-corrosive, make it a material with potential for a number of applications. For Terrella their main focus is to use graphite to make hydrogen fuel cell plates. Terrella worked with a key client and using the IRAP funding demonstrated the superior performance characteristics for graphite and their forming process. Their early success in the demonstration project led to their first PO. This is a milestone for any start-up technology firm, but for Terrella the PO meant they needed to upgrade their production process. They could handle producing product for test and demonstration, but with higher volume production they needed additional equipment. This is when John Kenna, the founder of Terrella Industries, came to Community Futures.

John had moved to Vancouver over 20 years ago to take a job with Ballard Power as a manager of a product development team. During a time of optimism in the potential for fuel cells in the automotive sector Ballard invested in a production line to emboss graphite for fuel cell plates. This is a process that could be used for the large volume that would be required for the automotive applications, but the slow movement in automotive use of hydrogen fuel cells lead



John Kenna with a graphite fuel cell plate



Roller embossed graphite coming off the press

Ballard to mothball the line. The equipment sat idle for a number of years before Ballard decided to focus their business model and sell off non-essential equipment. This is a production line John had worked on at Ballard, and he felt the manufacturing technique had potential. Now he was able to buy it at an attractive price and move it all to a warehouse space in Mission. Ballard had never quite perfected the roller embossing process, but John was able to solve the few remaining challenges so the line could produce roller embossed graphite plates.

Locating in Mission was a decision to put the company in the suburbs. This is the model for locating factories John saw when he worked in California, “We located out here where people can afford to live and work - manufacturing should support workers, and go to the location where workers live.” said John. John had also lived in Mission at one time so he knew people here who could provide the manufacturing resources and technical skills he would need. John met Community Futures through the local Mission Manufacturing and Technology Group, an organization that works to support business networking.

“Working with CF was perfect for our business - for the amount of money we were looking for, and the service CF provides, it was an easy process,” said John. “The money gave us the boost to retool for our first PO, and now we have a second PO from our original order, and we have a new PO from a company in Seattle.” Terrella Industries fits well with the CF mandate to support technology commercialization - and this is a company with the potential to create jobs in the local area.

The company’s first orders have been for fuel cell plates, but John sees Terrella as a company with expertise in roller embossing graphite. This is a technique that has applications in other areas. The company has recently received another round of IRAP funding to determine the potential of embossed graphite for thermo management. “We are a graphite forming company, and the expertise we are developing is in the conductive and thermo properties of graphite under different forming techniques, and there are many applications where these properties could have commercial value,” said John.

Masterpiece Pools and Spas

It was the process of writing the business plan that really made Alex Finnsson see the potential in this business – he thought the idea was good, but it wasn’t till he started to look at it in business terms that he could see how the business would work. “Community Futures made me focus on the right things, and it was a reality check, to make sure I was focused on what would make my company successful,” said Alex.

“The wealth of knowledge and experience in the Community Futures



Alex Finnsson in the Budweiser hot tub

staff was a great help in planning my business. And having that level of experience and knowledge available to you is a resource that you probably can't find anywhere else," said Alex.

Alex Finnsson came to CF for a loan to start his pool and spa business, a sector he has worked in since the 70's. Alex is a true pioneer in the industry and was exposed to a fledgling hot tub craze on a trip to California in 1976. Californians were taking old wooden wine vats and using them for hot tubs, an idea Alex imported back to Canada and by 1978 he started making cedar hot tubs. At the time he was a carpenter and they fit well with his business of building decks, but eventually he was building tubs full time and selling them through a distributor to all of western Canada.

While wooden hot tubs boomed for a while, the business was short lived, and by the mid 80's acrylic hot tubs were dominating the market. Alex stopped making the tubs and went to work for other companies in the pool and hot tub sector, working first for a pool manufacturer and then for a hot tub retailer.

Eventually Alex went to work for a plumbing wholesaler on the south side of the Fraser, and in 1994 started a pool and spa division for his employer. He grew the division to well over \$1 million in annual sales, but changes at the company and a disagreement in the strategic direction lead Alex to investigate other opportunities. He decided to start his own business closer to his home in Mission, and this brought him in to the Community Futures North Fraser office.

The new business, Masterpiece Pools and Spas, installs pools, hot tubs and provides maintenance and repair. The warehouse store also carries a full selection of pool supplies and tools for water analysis. Although almost all of his business is servicing and selling pools made from composite type materials, Alex still makes the occasional cedar tub, and in the fall of 2013 he received a call asking about his wooden hot tubs from a film production company in Vancouver. They were filming a Super Bowl commercial for Budweiser Beer and needed a wooden hot tub. The commercial played during the football game and you can go on the internet to see it, with hot tub made by Alex.

Financials

Net interest earned by the investment fund is \$127,662, with the administration fund having a surplus of \$3,439, for a total of \$131,101 in net income for the year. This is well above the net income for the previous year of \$30,716, and above the net income in any of the past five years. The increase in income is in part a result of the utilization and growth in our loan funds. Over the past five years we have lent over \$2.6 million, and reduced our cash on hand from 63% of our loan funds to 12%. During this same period our loan fund has increased by \$605,692. While this year did not meet our targets for loan dollars and numbers, our loan fund continues to strengthen and grow. This office now manages just over \$2.9 million to help support small business in the North Fraser.

Balance Sheet - condensed

	2014	2013
Assets		
Current Assets	713,305	747,837
Loans Receivable	2,027,989	1,855,813
Property Plant & Equipment	4,285	5,357
	<u>2,745,579</u>	<u>2,609,007</u>

Liabilities & Fund Balances

Current Liabilities	91,738	65,764
Collaborative Loans	199,358	219,861
Conditionally Repayable	1,540,000	1,540,000
Fund Balances	914,483	783,382
	<u>2,745,579</u>	<u>2,609,007</u>

Income Statement - condensed

	2014		2013	
	Administration Fund	Investment Fund	Total	Total
Revenues				
Government Funding	285,379	-	285,379	285,498
Interest on Loans	-	169,223	169,223	149,363
Administration/Management	12,631	6,179	18,810	17,744
WestCAP Fund Distribution	8,119	-	8,119	-
	<u>306,129</u>	<u>175,402</u>	<u>481,531</u>	<u>452,605</u>
Expenses				
Administrative Expenses	301,619	43,407	345,026	324,837
Excess Revenue over Expenses	4,510	131,995	136,505	127,768
Less Other Expenses				
Amortization	1,071	-	1,071	1,339
Loan Loss Provision	-	4,738	4,738	96,947
Loan Recovery	-	(405)	(405)	(1,234)
Net Income	<u>3,439</u>	<u>127,662.00</u>	<u>131,101</u>	<u>30,716</u>

