

Annual Report

2011-2012

Community
Futures North Fraser



Message from the Chair



This was a year of transition for Community Futures North Fraser with the departure of Oleene Herman, the Executive Director of the North Fraser Community Futures since 2007. Oleene joined the organization at the start of a renewal period, and the Board and staff are all grateful for her leadership over the past four years. She has set a strong foundation for Community Future's continued support of entrepreneurs in the North Fraser area.

Joining the team at North Fraser as Executive Director is Allan Main, and we want to welcome him both to the organization and to the community. Allan has moved with his family from Kelowna, where he was a long time member of the Central Okanagan Community Futures Board of Directors. The Board looks forward to working with him to set the direction and priorities for the organization.

I would like to thank the Board of Directors for their commitment to the goals and objectives of the Community Futures program. Through their ongoing efforts we look forward to this Community Futures office continuing to support and strengthen businesses within our communities.

Cal Crawford
Chair

MISSION STATEMENT

The Community Futures Development Corporation of North Fraser is an organization of committed volunteers and staff who provide leadership and act as catalysts, in order to improve the social and economic well-being of communities within the region. We do this by facilitating planning and implementation of community economic development principles and providing training, counselling and financial assistance for existing and proposed small and medium-sized business ventures.

WHO WE ARE

The Community Futures program is a federal government initiative established in 1986 to assist rural communities in the development of strategies for dealing with a changing economic environment. The program is based on a philosophy that local decision-making and local development are the most effective means for communities to shape their future. Community Futures Development Corporation of North Fraser is an independent, non-profit organization funded through Western Economic Diversification Canada.

Message from the Executive Director



The end of the Community Futures fiscal year 2011-2012 was a new beginning for me, taking over as the year was wrapping up. I am grateful to Oleene Herman and the legacy she has left for me. It is a great team and organization that I now get to work with. Community Futures North Fraser has supported small business in the region since 1995, and through this time has helped many businesses grow and thrive. I am looking forward to continuing this tradition.

Oleene was not the only staff to leave the North Fraser office this year, with the Administrative Assistant chair taken over by Andrea Crowell in September. Both Andrea and I are thankful to the other staff and the Board for their support as we both adjust into our new roles.

Community Futures North Fraser continues to invest in small business in our service area and over the year we reduced idle cash by increasing loans to small businesses. Our cash position went from 52% of our portfolio to 32%. We want to continue this trend of getting our investment funds working for small business and getting this number below 25% in the coming year. The investment portfolio is strong, and the efforts of staff and the Board to increase the profile of Community Futures within the local business community as a value added lender has worked to increase the number of quality loan applications coming through this office.

For the 2011-12 fiscal-year the Board approved 14 loans for a total of \$611,102 lent to small and medium sized business. This increased our loan portfolio from \$936,344 to \$1,327,155 over the course of the year. At March 31, 2012 the total value of our effective investment funds is \$2,345,726 including all loans, cash on hand, and any loan commitments.

This office has worked closely with the Community Futures South Fraser office and over the last year we completed 3 syndication loans in cooperation with South Fraser, with one of these loans also partnered with BDC. These syndication and partnership loans allow us to support growth oriented businesses that need loans above the \$150,000 Community Futures have set as a target maximum loan amount, with two of these partner loans over this amount.

Over the year our allowance for loan loss did increase somewhat and now sits at 7% of our outstanding loan balance. This number is at the upper end of our acceptable allowance for loan losses, and this is an area we will pay close attention to over the coming year.

This office has worked hard to increase our visibility over the past year, with staff and the Board all actively involved in the communities we serve. Our role in supporting local business was recognized with two nominations at the local Business Excellence Awards, one for Non-Profit of the Year and the other for the Customer Experience Award. I am enthusiastic about working with the professional and knowledgeable staff, and the Board of Directors in the coming year as we continue to support local small business.

Allan Main
Executive Director

Board of Directors

Community Futures North Fraser is governed by a Board of Directors made up of community volunteers from around the region it serves. Community Futures North Fraser Board of Directors operate as a policy board, speaking as one voice, and ensuring the Executive Director follows policies as set out by the directors. The Board monitors the financial results and is involved in the marketing and promotion of the organization. The Board of Directors provide the overall strategic leadership and direction to the organization, ensuring the goals are clear. The Board monitors and evaluates the organization's progress and hires, provides direction, and evaluates the Executive Director's performance.

Community Futures North Fraser Board normally consists of 10 Directors. Currently, there are two (2) vacancies. Three of the ten directors are voted in by the directors to stand as officers of the board. The officer titles are Board Chair, Vice-Chair, and Secretary/Treasurer. The officers along with the Executive Director become the signing authorities for Community Futures North Fraser.

2011-2012 Board of Directors:

Calvin Crawford

Mission, BC
Chair

Ron Leger

Mission, BC
Vice-Chair

Debbie Trenholm

Mission, BC
Secretary-Treasurer

Sean Melia

Mission, BC
Director

Stephanie Key

Agassiz, BC
Director

Grace Saris

Mission, BC
Director

Andre Isakov

Harrison Hot
Springs, BC
Director

Raymond Szabada

Harrison Mills, BC
Director

Staff



Michele Blackwell

Business Analyst



Debbie Cave

Accounts Administration



Andrea Crowell

Administrative Assistant



Wayne Fobert

Business Counsellor

WHAT WE DO

Community Futures North Fraser supports local economic diversification by providing business loans, training and advisory services, and by participating in community led economic development initiatives.

Our Clients

Dogwood Bakery

A professional baker for over 15 years, Adriana Knox left baking a number of years ago to take a job as an office administrator. It is work that gave her the broad range of skills - accounting, office management and human resources that would help her to start her own business. When she was laid off from the office job she sat down with her husband Glen and carefully considered what they wanted to do before deciding to return to her previous profession and open a bakery.

Through a government funded initiative they took a self employment course and developed the business plan for their bakery. Living on the border between Mission and Maple Ridge, they looked both to the west and east for a suitable location, eventually finding an appropriate storefront in Mission.

With a business plan and a location decided, they went on a search for financing. An internet search returned the North Fraser Community Futures as a source and Adriana started the loan application process.



The process of finding a location and taking an empty space to a full functioning commercial bakery was more of a challenge than originally expected. “It took a lot longer than we figured to get the bakery open, lots of approvals and inspections and we needed to go back to Community Futures for another loan to get to where we could open,” said Adriana Knox.

“Community Futures have been very supportive and I have been really impressed with this. They have given us advice and listened to us when we just needed to talk with someone about the challenges of renovating our building. The loans officer, Michele, has kind of been our mentor,” said Glen Knox.

Overcoming the challenges and the delays, Dogwood Bakery finally opened in May 2012, and every day new customers are coming through the door having just discovered this new addition to the Mission downtown. Dogwood Bakery’s 7 staff and the two owners offer up a great selection of baked goods in the downtown core. The favourite treats of people in Mission are Napoleon cakes - a rich puff pastry and cream combination - and cheese bread.

Highland Hay Sales

James Kocsis's knows hay so well he can pick a blade of grass, and describe the stage of the flowering head and the feed value if that grass was cut and baled as hay. James has been haying fields for a few years using a small tractor and equipment for square bales, but he wanted to grow his operation and needed to purchase new machinery; a larger tractor with four wheel drive, a role bailer so he could produce the larger bales and a wrapping machine to cover the bails in plastic.

He approached his personal bank for a loan, but they weren't able to help. "I was making money haying, but to the bank I didn't have a job with a regular pay cheque, and the bank didn't wanted to lend me money - but they did send me in the direction of Community Futures," said James.

Community Futures was a good fit for James, and the organization saw the potential in his business. Highland Hay Sales leases agricultural land from a number of land owners who are not using the land productively. James harvests the hay from fields that otherwise might lay fallow. The hay is cut, baled, and eventually sold as feed primarily for cattle or horses.



The timing of the harvest can change the market for the hay, "you have to get it at the right time for high value" said James," the low protein goes to horse and the high protein goes to cattle that need to gain weight or produce milk. Horse owners also prefer hay low in sugar to prevent diabetes."

There is more to hay than just bailing, James has been trying different techniques to improve the value of the crop, and is finding chicken manure provides a good fertilizer that helps control weeds, and is cheaper than chemicals with longer lasting effects.

With the new equipment James is able to farm more fields; typically fields are 10 to 30 acres, but he will hay smaller plots if it is for the owner and he can just leave the bales in the field. Cutting and baling the hay at the best time, and working with the weather can make for long days. When he is busy James will hire up to 7 people, but they have to be prepared to work long hard days. "Once you start you stay in the field till the hay is baled and wrapped. Last year we had a few days where we worked till 2 or 3 in the morning, then got up the next day and went back out to the field to work."

James applied for his loan through the Entrepreneurs with Disabilities Program, a fund to support small business owners with special needs. James was hurt in a logging accident that badly damaged his leg. He now walks with a pronounced limp, but he is still able to work with his new machinery to turn green grass into income for him and his family.

Peregrine Aerial Photography

Paul Gagnon completed his pilot's licence in 2008, and his love of flying lead him to a job with Selkirk Remote Sensing, a company doing aerial photography. After working 2 years with Selkirk the owner was ready to retire, and Paul was left to decide his future.

Although Paul wanted to stay in the business of aerial photography Selkirk was using an older film camera, and to compete in this sector a company would need to have the latest in high resolution digital technology. Paul knew the camera he would want; a \$1.3 million Carl Zeiss shooting 297 megapixels.

The new company, to be called Peregrine, had the history of Selkirk to support the business idea and financial projections, but traditional lenders were not interested, "the problem was we were a start-up looking for an equipment purchase, and it was a very expensive and unique piece of equipment," said Paul.

Eventually Paul found Community Futures, but the dollar amount was too big for the CF, and Paul started working with BDC. They were interested in the loan but were looking to diversify the risk. The BDC opened a dialogue with both the Community Futures North Fraser and the Community Futures South Fraser about a potential partnership to make the loan to Peregrine.

Peregrine bought the \$1.3 million high resolution camera funded through the three loan partners. The camera was installed in the plane that was previously owned by Paul's old boss at Selkirk; a plane Paul has already flown for many hours. The new camera technology is changing the way aerial photo data is used. Software designed to analyse the data can identify different types of vegetation, and can be used in special applications like identifying noxious weeds or determining the sugar quantity in grapes from aerial photos of a vineyard.



There is an incredible amount of information that can be gained from the photos, and using specialized software you can search for very specific details. Paul is working with local search and rescue on possible applications for the camera. "You can ask the software to look for 5 pixels of red next to 2 pixels of white, or to look for a specific heat signature and it can find it for you," said Paul.

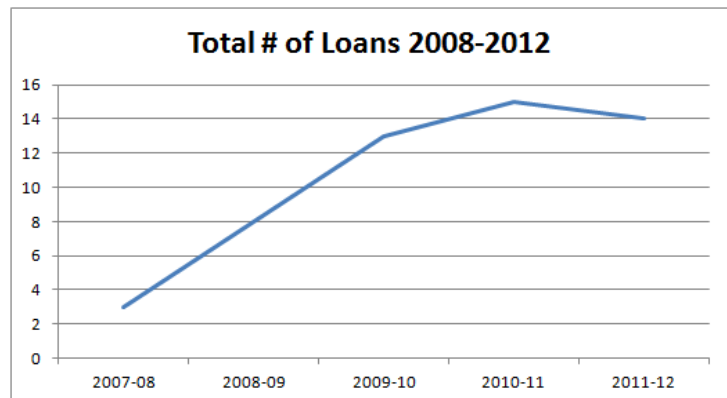
Even before Transport Canada had inspected the camera installation to clear the plane for work, Paul had 4 jobs confirmed, projects taking him throughout the Province of BC. One of the projects is helping map a liquid natural gas pipeline to Kitimat, a pipeline supporting BC's LNG export strategy. Peregrine has a number of other proposals and prospects in the works covering western Canada, and even a few in the Western United States.

Financial Statements

Non-consolidated Balance Sheet - condensed

| | 2012 | 2011 |
|--|---------------------|---------------------|
| Assets | | |
| Current Assets | 1,011,875.00 | 1,431,250.00 |
| Loans Receivable | 1,327,155.00 | 936,344.00 |
| Property Plant & Equipment | 6,696.00 | 4,611.00 |
| Investment and Advances | - | 4,951.00 |
| | <u>2,345,726.00</u> | <u>2,377,156.00</u> |
| Liabilities & Fund Balances | | |
| Current Liabilities | 53,060.00 | 117,417.00 |
| Conditionally Repayable | 1,540,000.00 | 1,540,000.00 |
| Fund Balances | 752,666.00 | 719,739.00 |
| | <u>2,345,726.00</u> | <u>2,377,156.00</u> |

The number of loans for 2011-12 was 14, down one from the 15 loans in 2010-11, but still up significantly from the number of loans made by this office in recent years.



The total value of the loans made in 2011-12 was just over \$600,000, down from the 2010-11 year where loan activity was over \$800,000. The dollars loaned is up over earlier years, and this office is optimistic loans will remain above the \$600,000 level as we continue to reduce the level of cash on hand.

