

***Community Futures
Development Corporation
of the North Fraser***



**Annual
Report
2018-2019**

Chair and Executive Director's Message



Heather O'Coin

Community Futures North Fraser supports local entrepreneurs and small business owners with business loans, advisory services, training and our efforts to promote community economic development in Mission, Kent/Agassiz, Harrison Mills, Deroche, Dewdney and Harrison Hot Springs.

In 2018-19 Community Futures disbursed 12 loans for a total of \$709,863. This was a successful year, with both the number of loans and the dollars above our five-year average. On other performance targets, we were also above the five-year average. Advisory Services had 307 clients, and our Training Sessions continue to grow with the level of service provided as a result of offering the Self Employment Training Program for WorkBC. The total number of participants in training for the 2018-19 year was 211, well above the five-year average of 112 participants. The financial support of the WorkBC program provides the opportunity to include other clients in the training sessions, so the increase in numbers also includes other small business owners from the area we serve.

In 2018-19 Community Futures North Fraser ended the year with an operational surplus of \$51,370. This surplus includes income of \$54,551 from non-government funded revenue and a loss of (\$3,181) for our Western Economic Diversification government funded activities. The WED funded services are expected to finish the year with a zero balance, but we can carry forward a surplus from other operational activities. This year's surplus will be used to offset our operational deficit from previous years and when combined with interest of \$140,679 the growth in our loan fund for 2018-19 was \$192,049 giving us a total loan fund of \$3.1 million.



Allan Main

Community Futures is a non-profit organization governed by a local board of directors who volunteer their time to support the work of this organization. We are grateful for the work of the board and their commitment to provide support to the many small business owners who use the services of Community Futures North Fraser. We are equally appreciative of the work of staff and their dedication to this organization and our clients.

Heather O'Coin, Chair

Allan Main, Executive Director

Board of Directors

Heather O'Coin
Mission, BC
Chair

Sheri Yakashiro
Mission, BC
Director

Satti Grewal
Mission, BC
Director

Manny Deol
Mission, BC
Director

Lynn King
Mission, BC
Director

Mark Allan
Harrison Mills, BC
Director

Athena Leskun
Mission, BC
Director

Hannah Kuyek
Mission, BC
Director



Staff

Left to Right

Debbie Cave

Accounts Administrator

Allan Main

Executive Director

Michele Blackwell

Loans Officer / Business Analyst

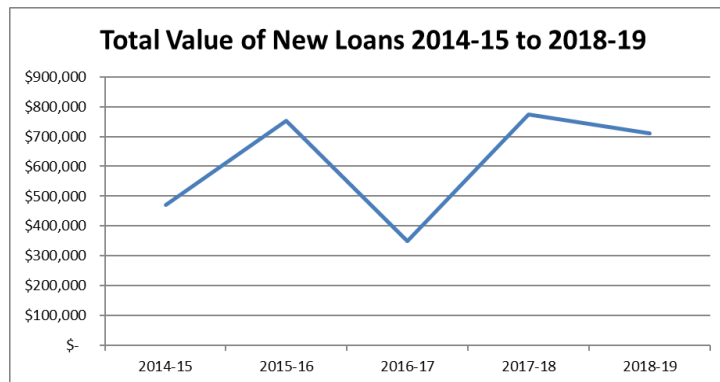
Gwen Atkinson

Administration / Marketing Coordinator

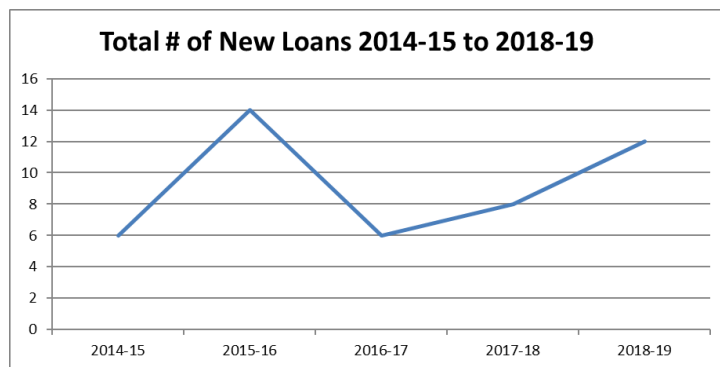


Loans

In 2018-19 we completed 12 loans for a total of \$709,863 supporting local business. The \$709,863 in loans is a slight decline from last year when we distributed \$774,346 but it is above our five-year average of \$611,578. While there was a slight decline in the dollars lent, the 12 loans we completed in 2018-19 is an increase from the 8 loans completed in 2017-18

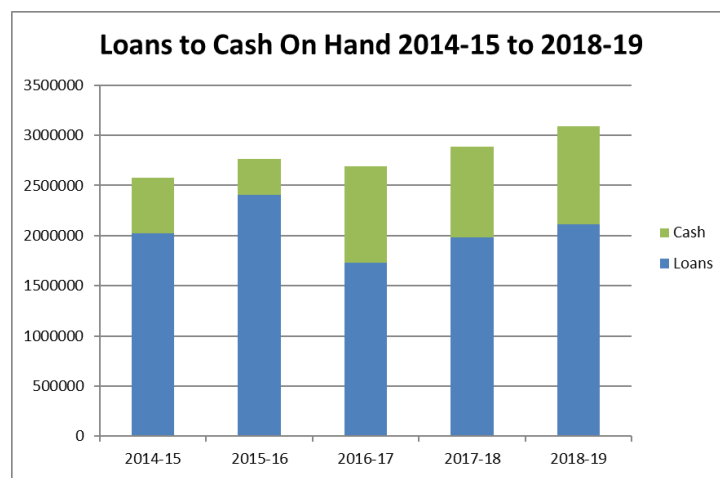


Our loan performance last year did exceed our targets for both dollars and number of loans. Over the past 5 years this office has averaged just over 9 loans per year, so the 12 loans were an improvement, but we continue to think of 12 loans per year as an achievable minimum annual target for this CF office.



Through 2018-19 the CFNF loan fund increased \$192,049 to finish the year at \$3,109,618, an increase of just over 4% for the year. Over the last five years the loan fund has grown just over 11% from \$2.798 million to the current \$3.109 million. While the loan fund is growing, in the past five years the number of loans in our portfolio has dropped from 45 to 40. We continue to have loans paying out faster than new loans are being disbursed.

Our total cash on hand at the end of 2018-19 was \$982,156, which is just over 31% of our total loan fund. The target is to keep cash on hand to below 25% of our loan fund and we are getting well above this target level. We did finish 2018-19 with an additional \$153,000 in loans approved but not dispersed and staff are confident this money will be drawn down in 2019-20. With loan carry over from 2018-19

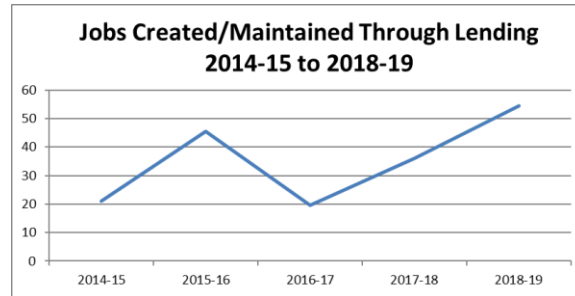


and with the level of loan interest in Q4 of 2018-19 the cash on hand is expected to fall below the 25% target early in the next fiscal.

At the end of the year we had \$2,185,776 on loan from this Community Futures office. We also have an additional \$94,456 in partnership funds provided to our clients by other Community Futures offices, for a total of \$2,280,232. Community Futures North Fraser has also participated in partnership loans, and the loan total on our financial statements includes \$410,702 that we have loaned to other Community Futures offices in support of their clients.

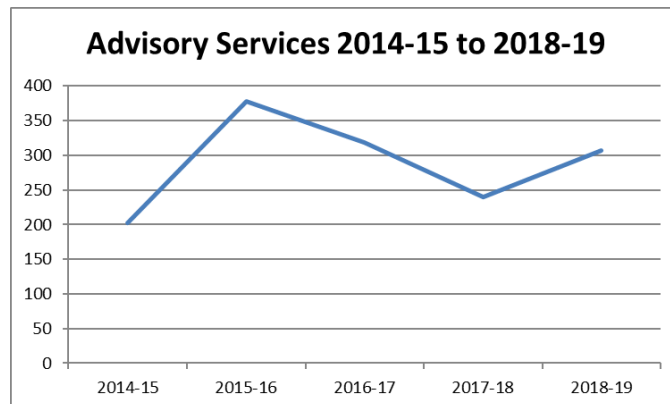
Jobs Supported Through Lending Activity

The 12 loans in the past fiscal year created or maintained a total of 54.5 jobs, an increase from the 36 jobs supported through our 2017-18 lending. Our five-year average for jobs created or maintained is about 35, so this year is also an improvement over the typical level of jobs supported through loan fund activity.

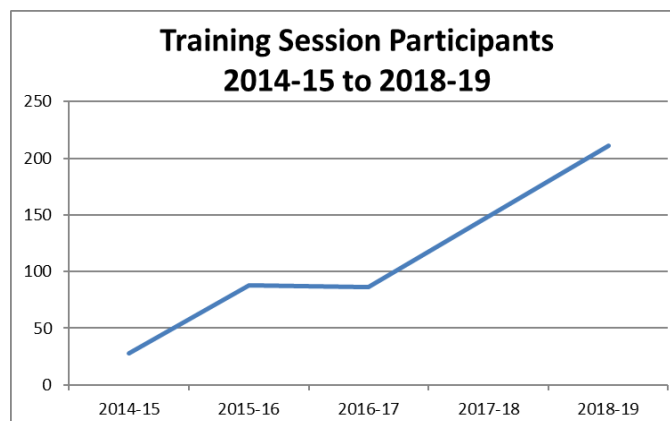


Advisory Services and Training

In the past fiscal year, we provided 307 advisory sessions to clients who came to us for business advice. This is up from the 240 advisory sessions we provided in 2017-18 and above our target of 300 advisory services each year. While Advisory Services were typical for the year the number of Training Participants was at a 10-year high.



In 2017-18 we provided the Self Employment training for the Work BC office in Mission and in Hope for the first full year. Offering this program initially required significant staff time, although through the year instructors for the program were hired and processes and systems developed to allow the operation of this program to be much more efficient.



The training we provide for the Self Employment program is

content that we repositioned in 2018-19 to also offer self-employment training for persons with disabilities. Classes for this program started early in 2018-19 and provided a significant portion of the Administration Fund Project Revenue. Funding for this training was through the Federal Opportunities Fund.

We did expect some interest in loans from the students participating in the self-employment training, and in 2018-19 we had the first students apply with three loans disbursed.

Marketing Initiative

The marketing highlight of 2018-19 is the recognition we received as the winner of the Marketing and Communication Business Excellence Award through the Mission Chamber of Commerce. It was an honor to have the efforts of this office recognized, and it was a great year for our marketing initiatives.



In 2018-19 we shifted our marketing activity to increase our participation and sponsorship of events. Community Futures does tend to rely heavily on our referral network to direct clients to our services, and the increased participation in the community both promotes CF to potential clients and to our network of other business lenders. We feel this community outreach has been effective in an increase in the number of clients from banks and credit unions and from the Mission Chamber of Commerce.

This community involvement combined with our continued client success stories provides strong content for our social media channels, and at the end of 2018-19 our Facebook likes are above 900 and growing. Our strong marketing activities on social media are a key contributor to the Marketing and Communication recognition we have received, and new clients are increasingly identifying social media and online as how they found us on our client intake form.

A key partner in our marketing activity through 2018-19 was the Mission Chamber of Commerce. We have often partnered with the Chamber, but in the last year we increased our sponsorship commitment to the Chamber and worked with them to host training for small business. The training through the Chamber increased the number of training participants for CFNF and allowed us to leverage the Chamber's marketing reach and increase awareness of the services provided by this office to small business.

We do believe our 2018-19 investment in marketing has increased our profile in the local business community and will help us reach potential entrepreneurs when they are first thinking about starting a business.

Community Economic Development

Community Futures participates in community economic development projects that improve economic opportunities for all businesses in our community. Some of the projects we were involved in over the past fiscal year include:

- Continued support for the Agri-Food Innovation Centre/Food Hub initiative in the North Fraser. A key objective to this initiative is the potential for the centre to house a food production facility for small scale value-added food processing. The main proponent for this project is Mission Community Skills Centre Society, with the support of Community Futures, Mission District through the Economic Development office, and the University of the Fraser Valley. The business plan for this project was completed in 2018-19 and the proponent is pursuing funding options with Western Economic Development and with the BC Government Ministry of Agriculture that is developing a strategy to launch several Regional Food Innovation and Processing Hubs around the province.
- This office continues to support economic growth in our geographic area through participation with other organizations. The Executive Director of Community Futures North Fraser holds a position on the Mission Regional Chamber of Commerce and the Harrison/Agassiz Chamber of Commerce.

Clients

Muddy Waters Path is Clear

Sitting on the patio at Muddy Waters Cafe, Richard Fife is constantly acknowledging locals and regulars as they walk into his restaurant. Richard and his wife, Jenny are both long time Harrison Hot Springs residents and have been operating the popular Muddy Waters since 2011.

Owning Muddy Water is the accumulation of a lifetime career for Richard. At the age of 17 he was hired as a busboy in the Copper Room at the

Harrison Hot Springs Resort, a job which turned out to be an apprenticeship into the business of restaurants and set him on the path to becoming a successful restaurateur.

“I was trained by the best; the Cooper Room is fine dining and they don’t hire servers, you had to be a busboy for five years before you can become a server. During that process chiefs train the servers, so we got to see how the chef prepared food and how they served food. I



was employed by the resort for 16 years and I learned all different facets of hospitality.” Said Richard.

The years of experience in restaurants lead Richard and Jenny to start looking for a restaurant opportunity in Harrison and they did have a chance to buy Muddy Waters in 2008 but lost out to another buyer – the opportunity to take over Muddy Waters did come back again.

“In 2008 we were friends with the owners who took over Muddy Waters, we watched them run their operation till 2011 when they started to have financial issues. They did ask us if we wanted to purchase Muddy Waters at that time, but with the price they wanted it was not possible for us, so we opted to operate the business for them without buying.

In the first year Richard and Jenny operated the business sales increase almost 20%, “We kept on increasing sales and the value of the business, so we realized we’d better jump on this and purchase the restaurant before it may get priced out of our range.” Said Richard. Richard first came to Community Futures in early 2012 to discuss a loan to buy the business, but it was a long negotiation with the previous owner that eventually lead to a purchase agreement in 2014 funded through the seller.

Although Community Futures was not part of the original agreement Richard continued to keep in contact knowing the sellers would eventually want to exit. But it wasn’t until April 2018 that he finally came back to Community Futures for a loan to complete the restaurant purchase.

Community Futures is a relationship lender, and from 2012 we continued to have contact with Richard and Jenny, both as a program supporting local small business and as customers at the café. Soon after the 2018 loan from Community Futures the building Muddy Waters was leasing came up for sale, and Richard was back to discuss an additional loan. Community Futures North Fraser was able to put together a syndicated loan working with two other CF offices and although the loan did not close until early in the current fiscal year this is a client that worked with North Fraser throughout 2018-19.

“So now we own the restaurant and the building, and we are a landlord for the other business in this building. I am very happy for what Jenny and I have both accomplished in an 8-year period.” Said Richard. Sales have increased about 15% every year the two have owned the restaurant and Community Futures this pleased to support this local growing business. “Jenny and I believe the relationship with a lender is important. The relationship with Community Futures is long term and we knew if we need more borrowing, we would have that opportunity with CF.” said Richard.



CF Loan Supporting Chocolate in Mission and Farmers in Cameroon

Ayissi Nyemba grew up on a cocoa farm in Cameroon, a farm still in the family and operated by her father and mother. She left the farm as a young adult and came to Canada to attend university but soon after arriving she started to work on the business idea of importing cocoa beans from her family farm and making chocolate here.

Ayissi attended university in Quebec and after graduating relocated to BC, where Ayissi had other family. She continued to work on her business idea and she formed the company, Emkao Foods. The business would import raw cocoa beans from the farm in Cameroon and create a unique, single source, chocolate product for Canadians. Ayissi worked with the UBC Entrepreneur Incubator and she also work with a BC Agri-Food Accelerator who helped her find a location in Mission and directed her to Community Futures to help with funding her start-up.



“Community Futures understood the value in the project, and it is so important to work with people who understand your business. Although I have the drive to succeed at this project Community Futures gave me structure and helped me improve my plan.” Said Ayissi.

Turning cocoa beans into chocolate is a multi-stage process that requires many pieces of equipment to get the three main products Emkao will have for sale. To start Emkao will sell chocolate chips, cocoa powder and cocoa butter, with most of the customers bakers and confectionery manufactures looking for a unique craft chocolate ingredient for their own products.

The business advisory staff at CFNF worked with Ayissi on her business plan and was able to complete a loan to buy the chocolate making equipment and provide working capital for the venture. The process of buying the chocolate making equipment and setting up a food processing business has been a long path for Ayissi, but she now has her equipment and her first shipment of cocoa beans from the family farm has arrived. Soon, Emkao chocolate and cocoa powder will be available as a wholesale product for local chocolatiers and bakers.

This business start-up has been a learning experience for Ayissi, first expanding her understanding of business, but through the process she also completed a four-month course through the Ecole Chocolate in Vancouver and has earned the designation of a Professional Chocolatier. Although she knew a lot about making chocolate before she left Cameroon the course gave her a deeper understanding of the recipes and how to work with the chocolate to create specific textures and flavors. This is knowledge that will help her work with chocolatiers looking for cocoa products with very specific characteristics.

Eventually Emkao intends to create and market a branded chocolate bar for consumers, and will look to distribute product into the US market, but this is part of the long range plan, for now Emkao Foods is providing a reliable market for beans from the family farm, and other cocoa farmers in Cameroon, and is providing a product much loved by Canadians with a sweet tooth.

Emkao Foods fills a dream the Nyemba family had for many years, to have a single supply chain from farm to market. Emkao will require a steady supply of beans supporting farmers from her home village in Cameroon while providing Canadian chocolate lovers with craft chocolate. Ayissi is highly driven to make this family project a success and with Community Futures help is making her chocolate in Mission, BC.

“CF saw the positive in me and believed in me. I still have to get results, but CF trusted that I can succeed with this project, certainly I didn’t get here by myself.” Said Ayissi.

Financials

Balance Sheet - condensed

			2019	2018
Assets	Administration Fund	Investment Fund	Total	Total
Current assets				
Cash		\$ 1,951,669	\$ 1,951,669	\$ 1,966,522
Current portion of loans receivable	\$ -	\$ 353,253	\$ 353,253	\$ 318,944
GST receivable / Prepaid expenses	\$ 4,259	\$ -	\$ 4,259	\$ 5,119
Accounts receivable	\$ 5,087	\$ -	\$ 5,087	\$ 2,258
Interfund transfers	\$ 77,981	\$ (77,981)	\$ -	\$ -
	\$ 87,327	\$ 2,226,941	\$ 2,314,268	\$ 2,292,843
Loans receivable	\$ -	\$ 1,852,190	\$ 1,852,190	\$ 1,807,347
Property plant & equipment	\$ 6,184	\$ -	\$ 6,184	\$ 5,750
	\$ 93,511	\$ 4,079,131	\$ 4,172,642	\$ 4,105,940
Liabilities & Fund Balances				
Current liabilities				
Bank overdraft	\$ 969,513	\$ -	\$ 969,513	\$ 1,063,665
Accounts payable and accruals	\$ 18,881	\$ -	\$ 18,881	\$ 23,654
Deferred revenue	\$ 49,558	\$ -	\$ 49,558	\$ 24,308
Current portion for collaborative loans	\$ -	\$ 55,170	\$ 55,170	\$ 44,657
Conditionally repayable	\$ -	\$ 1,540,000	\$ 1,540,000	\$ 1,540,000
	\$ 1,037,952	\$ 1,595,170	\$ 2,633,122	\$ 2,696,284
Long term debt for collaborative loans	\$ -	\$ 39,100	\$ 39,100	\$ 101,285
Total liabilities	\$ 1,037,952	\$ 1,634,270	\$ 2,672,222	\$ 2,797,569
Fund balances	\$ (944,441)	\$ 2,444,861	\$ 1,500,420	\$ 1,308,371
	\$ 93,511	\$ 4,079,131	\$ 4,172,642	\$ 4,105,940
Investment funds incumbered by overdraft		\$ (969,513)	\$ (969,513)	\$ (1,063,665)
Investment funds available for use		\$ 3,109,618	\$ 3,203,129	\$ 3,042,275

Income Statement - condensed

			2019	2018
Revenues	Administration Fund	Investment Fund	Total	Total
Government funding	\$ 284,608	\$ -	\$ 284,608	\$ 284,686
Interest on loans	\$ -	\$ 167,254	\$ 167,254	\$ 151,545
Project revenue	\$ 73,845		\$ 73,845	\$ 23,709
Administration and management	\$ 23,212	\$ -	\$ 23,212	\$ 25,416
Bank interest	\$ -	\$ 10,750	\$ 10,750	\$ 5,576
Misc fee revenue	\$ 1,665	\$ -	\$ 1,665	\$ 295
	\$ 383,330	\$ 178,004	\$ 561,334	\$ 491,227
Expenses				
Administrative expenses	\$ 330,290	\$ 22,230	\$ 352,520	\$ 325,382
Excess revenue over expenses	\$ 53,040	\$ 155,774	\$ 208,814	\$ 165,845
Less other expenses				
Amortization	\$ 1,670	\$ -	\$ 1,670	\$ 1,547
Change in loan loss provision	\$ -	\$ (227,500)	\$ (227,500)	\$ 2,637
Write off of bad debt	\$ -	\$ 242,595	\$ 242,595	\$ 160,830
Net Income	\$ 51,370	\$ 140,679	\$ 192,049	\$ 121,478

