

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

**Annual  
Report  
2015-2016**



Growing Communities One Idea at a Time

## Chair and Executive Director's Message



Cal Crawford

Community Futures North Fraser completed 14 loans in 2015-16 and set a five year high for dollars loaned at \$753,979. This was a good year for this office with increases in key performance targets. In addition to the increase in loans, we were also at a five year high for the number of entrepreneurs using our advisory services and the number of attendees at training events.

We started the year on April 1, 2015 by moving to our new location in the downtown of Mission. This move reduced expenses by about \$900 per month. With our annual budget set before the decision to move the office, there was an interest in allowing a surplus to accumulate. Through the 2015-16 fiscal year we also had a staff position that was vacant for about 6 months, and loan fees that exceeded budget projection. The cumulative result is a surplus of \$21,272 for the year. The circumstances resulting in the surplus are unique and are not expected to repeat in future years, but it does provide an opportunity to further reduce our operational deficit.

While 2015-16 was a very good year, the challenge remains to carry this momentum into 2016-17. The board and staff worked together in 2015-16 to create a strategic direction for this organization over the next two years that will help support our continued success.

Community Futures supports entrepreneurs and small business owners in our area with our loan program, advisory services, training and our efforts to promote community economic development. This office serves Mission, Kent/Agassiz, Harrison Mills, Deroche, Dewdney and Harrison Hot Springs, working with local entrepreneurs who invest in their business and in the local economy.



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 providing 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.

Cal Crawford, Chair

Allan Main, Executive Director

### *Board of Directors*

**Calvin Crawford**  
Mission, BC  
**Chair**

**Stephanie Key**  
Agassiz, BC  
**Vice-Chair**

**Grace Saris**  
Mission, BC  
**Director**

**Freddy Marks**  
Harrison Hot Springs, BC  
**Director**

**Sheri Yakashiro**  
Mission, BC  
**Director**

**Manny Deol**  
Mission, BC  
**Director**

**Andrea Walker**  
Mission, BC  
**Director**

**Rob Halsall**  
Mission, BC  
**Director**

**Satti Grewal**  
Mission, BC  
**Director**





### *Staff*

Left to Right

**Debbie Cave**

Accounts Administrator

**Gwen Atkinson**

Administrative / Marketing Coordinator

**Michele Blackwell**

Loans Officer / Business Analyst

**Allan Main**

Executive Director

### Board Honour Role

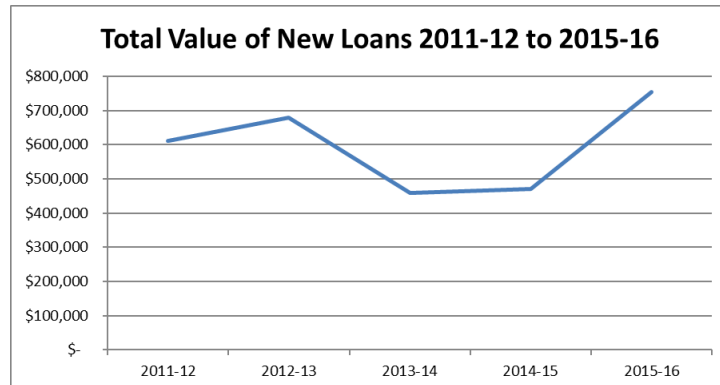
Cal Crawford joined the Community Futures North Fraser Board in 2008 during a transition period for this organization. In 2009 he became the chair, a position he has held for the past seven years. His support and guidance in this role has contributed greatly to our success over these years.

This was Cal's last year on the Community Futures Board and his contribution to this organization will be greatly missed. Cal has devoted many hours to this organization, and his support of Community Futures is reflective of his commitment to this community. We wish Cal the best in all his future endeavors.

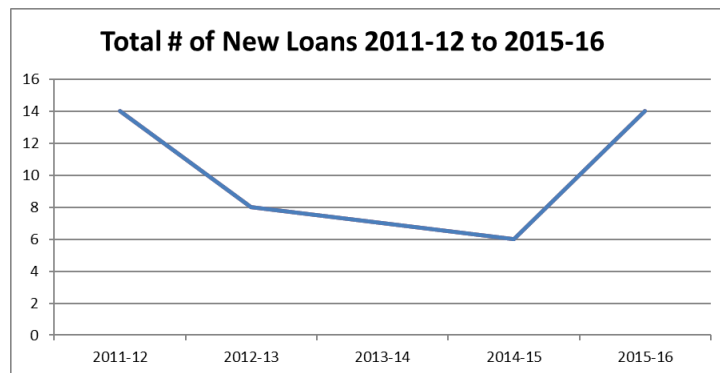


## Loans

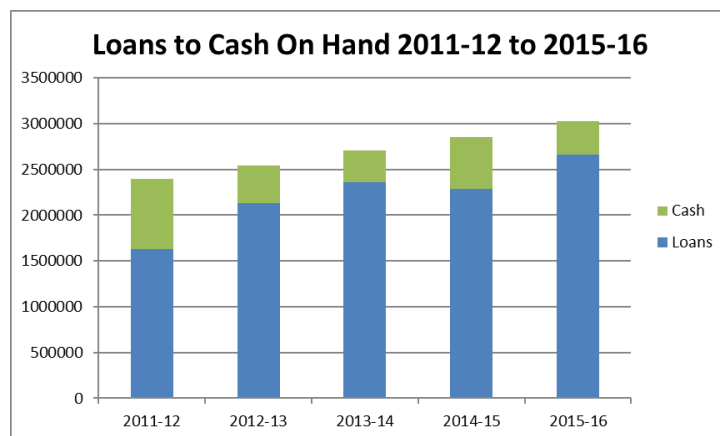
The dollar value of loans completed in 2015-16 was \$753,979, this is up 61% from the \$469,700 loaned in 2014-15, and is the highest dollar value for loans in the past five years. The 14 loans completed in 2015-16 equals the number of loans in 2011-12, and is well above the 6 loans completed in 2014-15. One of the loans this past year was a partnership loan, with two other Community Futures offices each lending the client \$125,000, bring the total dollars supporting local businesses in the North Fraser to a total of \$1,003,979.



Through the year we continued to strengthen our loan fund with the fund increasing 5.9% to finish the year at just over \$3.0 million. At the end of the year we had a total of 46 loans in our portfolio, with \$2,665,228 on loan from this Community Futures office. We also have an additional \$416,711 in partnership funds provided to our clients by other Community Futures, for a total of \$3,082,291. Community Futures North Fraser has also participated in partnership loans, and the loan total on our financial statements includes \$479,324 that we have loaned to other Community Futures offices in support of their clients. At the end of the year our cash on hand in the loan funds was \$362,272, which is 11.97% of the total fund value. This is a decrease over last year and is at the lower end of our target range for cash on hand.



The loan loss provision did decrease slightly in 2015-16 by just over 2% and is now \$263,058, which is 8.7% of the total fund value. The modest decrease is an indicator our loan portfolio is stable, although the current risk exposure is still fairly high. The loss provision is a measure of loans that are in default and not loan write offs. This office continues to work hard to

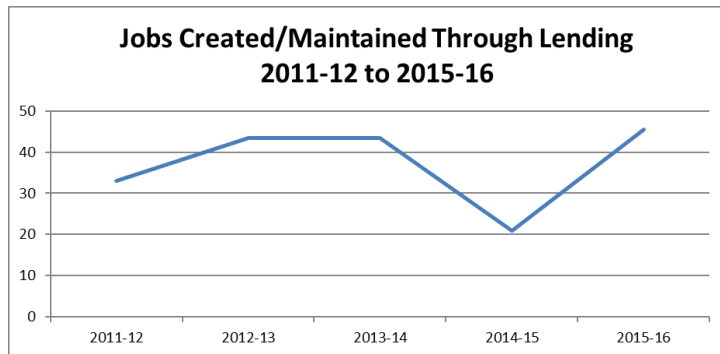


collect on these underperforming loans, but it is expected that some of these loans will be written-off in the 2016-17 fiscal year.

Our cash on hand at the end of fiscal 2015-16 was \$362,272, which is 11.97% of our loan fund. While this is low, it does provide us with enough cash for projected short term demand. If we do require additional loan funds we can borrow through the Community Futures network.

### Jobs Supported Through Lending Activity

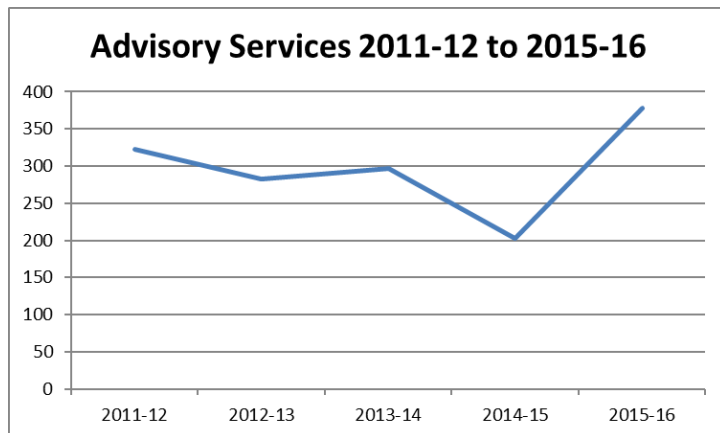
Jobs created and maintained through our lending activity is a key measure of the economic impact of Community Futures lending activity on the local economy. The 14 loans in the past fiscal created or maintained a total of 45.5 jobs, a marked improvement from the 21 jobs supported through our 2014-15 lending.



### Advisory Services and Training

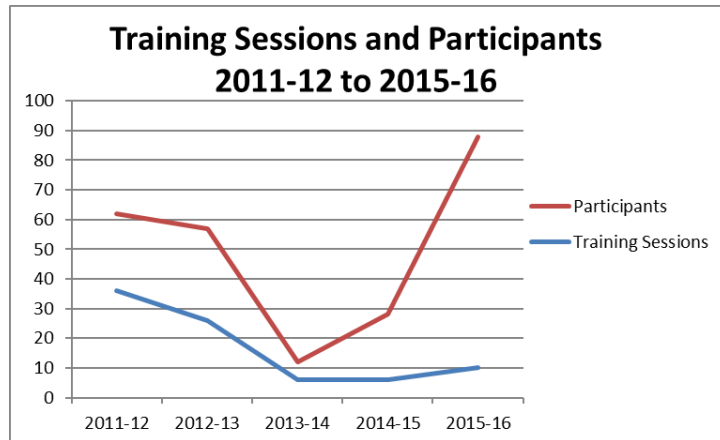
In the past fiscal year 274 clients came to us for business advice. The one-on-one support we provide to local business people is a valuable part of the services we offer, and we provided those 274 clients with 378 advisory sessions.

Advisory services were up 86% from last year and were at a five year high. But, like loans, we do have to continue to



evaluate how we promote our services to the community and look at new strategies to continue to keep Community Futures North Fraser as an essential part of the business community.

Training session participants also increased to a five-year high, reaching 88, a 68% increase over the previous fiscal year. The turn around in our declining number of training participants started in the 2014-15 fiscal year and was partly the result of partnership initiatives. Those initiatives continued through 2015-16 when we worked with Ethos Employment Services with their *Experience Work* initiative for older workers, and Mission Community Services and their *Settlement and Integration* program for new Canadians. We provided participants in these two programs with information on self-employment. Through the year we also continued to host training workshops in each of the communities we serve.



## Strategic Plan

In October 2015 this office completed a strategic planning session to set the direction for the next 2 years and beyond. Some of the highlights from this planning session was first to recognize our current circumstances and to build a plan recognizing the importance of meeting contract objectives set by funding partner, Western Economic Development (WD). Our strategic direction was also set with the desire to provide the greatest value to the communities we serve.

The plan was developed based on the following challenges;

- Inconsistent performance year over year on number of loans, advisory clients and training participants
- Historic financial difficulties still impacting the balance sheet as an operational deficit
- Low entrepreneurial drive in some of the areas served
- Limited investment by this organization in marketing and brand awareness
- Poor completion rate for Community Economic Development initiatives

### North Fraser's Six Priorities

The six priorities were developed by the Board through a review of the operational environment, consideration of the historic performance and with the intention of resolving the current challenges.

#### **Priority #1: Business Financing**

The program with the greatest economic impact on the communities we serve is loans. It is the most easily measured and it is the program that keeps our money working in the community. Our historic performance on the number of loans and the total dollars loaned is mixed. While this year we are performing above target, we need to make sure this improvement in loan performance continues.

**Priority #2: Financial Restructuring to Eliminate Deficit**

Permission from our primary funder, WD, is required to write down some portion of our loan fund and eliminate the deficit. It is essential that we communicate to WD the importance to the Board that the deficit is eliminated.

**Priority #3: Business Advice, Mentoring and Education**

Community Futures North Fraser would like to expand its service and offering for business advice and education, and look to implement a mentoring program to provide greater support to local businesses. The intent is to encourage and support entrepreneurs at an earlier stage, and to develop a more life-long relationship with the entrepreneurs seeking our services.

**Priority #4: Branding and Marketing**

Raising the awareness of Community Futures North Fraser has primarily been through personal networking by the staff and Board. Previously there has been very limited budget to consider other options, even low cost strategies, such as social media, require staff capacity and skills. Our direction is to increase the branding and marketing of Community Futures North Fraser. This priority requires an increase to the budget allocated for promotion and marketing, and building internal capacity as covered in priority #5.

**Priority #5: Increase Internal Capacity**

Some staff budget is currently unallocated, which gives us the opportunity to reflect on the skill and tasks that would best complement our current strengths and strategic priorities. Current gaps in our service delivery are in education and our training program. These programs tend to operate somewhat sporadically, and have no effective mechanism to track or understand the educational needs of local business. This organization has particular strengths in managing clients for our advisory services and through the business plan and loan process, but we do face challenges in drawing potential clients to our office.

**Priority #6: Economic Development Focused to Support Other Priorities**

Community Economic Development initiatives undertaken by this office in partnership with other organizations have, unfortunately, had a low rate of completion. We are contracted to engage in Community Economic Development, and CED projects can provide value to the community. The challenge is to identify projects that we are able to control and provide value for our clients - our efforts in this area need to be more modestly scaled and in alignment with our other priorities.

## Community Economic Development

Community economic development initiatives support economic growth and improve the conditions for business success. This office often takes a key role in local projects. In fiscal 2015-16 we curtailed some of our involvement with projects to focus more on the core services of providing business loans and business advisory services, but we still continued to support a few key initiatives. Some of the projects we were involved in over the past fiscal year include:

- Stave West is a 50 sq. km forested area that is the western portion of District of Mission's tree forest licence. The Stave West Forest and Recreation project is an initiative to transform this large working forest into a more family-friendly destination for outdoor recreation and learning. This project is a partnership between the District of

Mission, local Aboriginal communities and the provincial government. Community Futures was involved in the planning stage for this project. Now that the project has moved into implementation, Community Futures is acting as an Economic Opportunities Advisor.

- Riverside College is operated by the Mission School District and primarily provides career technical training to high school students. The cost of operating this facility was a potential problem that could lead to it being closed. Community Futures participated in a strategic planning initiative, including hosting one of the sessions, to develop a plan for the college that would allow it to continue to provide an important educational option for local students.
- This office continued 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, the Harrison/Agassiz Chamber of Commerce, the Mission Tourism Committee, and often participates on other sub-committees and task forces in the communities we serve.

## Clients

### Community Futures North Fraser Assists Established Company of Cimtex Transition Ownership

From day one when Darren Fulkco began working at Cimtex in 2007 he and the owner discussed the potential of Darren buying the company. A year later he became a shareholder, and in 2015, with the support of Community Futures North Fraser, and two other Community Futures offices, Darren finally bought 100% of the company.

“Buying the company was a slow process and last year was not a strong revenue year, which created some challenge,” says Darren. “We talked to our bank and (another traditional lender) and we jumped through all the hoops, but in the end they both said no.”

That’s when Darren came to see Community Futures. “We had 10 years of strong revenue and I didn’t think I would be turned down by the banks, so when I met with Community Futures, you definitely helped out.”



The value of the company buyout was above the typical maximum \$150,000 of a Community Futures loan, but through a partnership with two other CF offices we were able to put together



a loan offer that worked. Partnership loans allow Community Futures to support the larger financial needs of local business, and a precision machine shop like Cimtex, with 15 employees and a shop full of expensive computer operated milling equipment, is not a typical CF client. With an established client like Cimtex, who has been in Mission since 1984 and with a strong revenue history, other CF offices were very willing to invest their loan fund in the North Fraser area.

One of the key criteria Community Futures uses in a loan evaluation is the strength of the management team. Darren is a BCIT certified machinist with 29 years' experience. He was part owner of the company he worked at before starting at Cimtex and had long seen his career path as leading to owning his own company. Supporting Darren are also a number of long-term Cimtex employees and a stable work force.

Cimtex does a lot of work using local suppliers and local sub trades, and most of their clients are in the Mission, Abbotsford and Langley area. The company works in industries that require high quality, tight tolerance, parts, such as aerospace and clean technology, and these sectors are growing in the Fraser Valley.

"While some machine shops have felt the effects of a drop in demand from the oil sector, Cimtex has not been affected," says Darren. "We do a lot of work in alternative energy, including fuel cells and batteries, and aerospace, and there is growth in these industries," he adds.

Darren is expecting the company will grow and is projecting sales to double. He maintains even a larger Cimtex will remain located in Mission, BC. There is space in the current building to grow and currently their largest client is also a Mission company.

While there was a dip in revenue last year, the company is back on track. "I see things from day to day and I know this year revenue has increased. We have also reduced costs and eliminated expenses - plugging leaks has saved a lot," says Darren. The shop is crowded with work in process, including a palette of blocks of aluminum, each about 3 feet long that Darren remarks is about to be machined into a specialized part for airplanes.

### Creative Approach leads to QuestUpon Equity Investment

QuestUpon began with Miles Marziani and Tammy Meyers developing a new gaming application for smartphones in 2011. The platform created a blend of augmented reality and real world experience. QuestUpon changes the user's experience of the world around them by adding elements from history, nature, or from pure imagination, such as when a Sasquatch magically walked through Mission's downtown.



The District of Mission was the first client for QuestUpon, (then called *Legend Tracker*), and, according to Tammy, “as our first client we had a good feeling about the place” -- a good enough feeling to move the company to Mission in 2014. Tammy and Miles wanted to be closer to the tech hub of Vancouver, but with the cost of Vancouver, Mission offered a great option for a start-up company that needs to keep costs under control.

“This is where we needed to be,” said Tammy, “with the West Coast Express, for a quick 45-minute commute to Vancouver, proximity to the border for clients in the USA and affordable office space.” Mission is also central to the growing number of BC clients in both the interior and the lower mainland that are using the QuestUpon platform. “I also love being close to nature and was taken by the number of parks, lakes and outdoor activities that Mission has to offer,” says Tammy.

When QuestUpon first came to Community Futures, they had clients and cash flow, but like any tech start-up, controlling costs was critical. While a traditional Community Futures loan was a possibility, working with QuestUpon provided the opportunity for a more creative approach. Community Futures can provide equity funding, and looking at best practices from other Community Futures offices we were able to propose an equity investment in the form of a convertible loan. This would eliminate loan payments for QuestUpon, while providing this office with an exit strategy for our investment.

“We appreciated the opportunity to work with Community Futures. It was a boost we needed at the time and without the investment we definitely wouldn’t be close to where we are now,” says Tammy. “It helped with marketing and sales and we were able to say yes to things like being the opening presentation for the BC Tech Summit this year,” adds Tammy.

QuestUpon has been in demand as a presenter for a number of events. They were showcased at the BC Tech Summit in Vancouver; they were featured at the Creative Cities Summit in Kelowna; and in September of this year, they will be presenting to the International Sports Heritage Association Summit in Calgary. ISHA members include all of the Sports Halls of Fame that are located around the world.



The QuestUpon team continue to add clients and features to their product. “We have a vision of our ultimate goal for what QuestUpon is going to be and with the help of our clients we are adding features to get to that goal,” says Miles. QuestUpon recently added the feature of taking a selfie with 3D augmented reality characters in the photo. They have also made their first competitive quest, with a leader board for more challenging and athletic quests. Each feature they add increases user engagement with the platform and benefits other clients.

QuestUpon is a lean organization that is bootstrapping growth with sales to current clients. Some current clients include museums, First Nations, cities, tourist regions and tour guides -- all are looking to use the QuestUpon augmented reality as a compelling approach to engaging, educating and entertaining visitors.

# Financials

## Balance Sheet - condensed

	2016			2015	
Assets	Administration Fund	Investment Fund	Total	Total	
Current assets					
Cash	\$ (1,245,745)	\$ 1,608,017	\$ 362,272	\$	558,382
Current portion of loans receivable	\$ -	\$ 422,885	\$ 422,885	\$	333,118
GST receivable / Prepaid expenses	\$ 7,576	\$ -	\$ 7,576	\$	7,533
Accounts receivable		\$ 1,909	\$ 1,909	\$	-
Interfund transfers	\$ 15,176	\$ (15,176)	\$ -	\$	-
	\$ (1,222,993)	\$ 2,017,635	\$ 794,642	\$	899,033
Loans receivable	\$ -	\$ 2,396,348	\$ 2,396,348	\$	1,887,666
Property plant & equipment	\$ 9,122	\$ -	\$ 9,122	\$	11,403
	\$ (1,213,871)	\$ 4,413,983	\$ 3,200,112	\$	2,798,102

## Liabilities & Fund Balances

Current liabilities					
Accounts payable and accruals	\$ 16,886	\$ -	\$ 16,886	\$	25,360
Deferred revenue	\$ 35,061	\$ -	\$ 35,061	\$	27,825
Current portion for collaborative loans	\$ -	\$ 70,564	\$ 70,564	\$	22,128
Conditionally repayable	\$ -	\$ 1,540,000	\$ 1,540,000	\$	1,540,000
	\$ 51,947	\$ 1,610,564	\$ 1,662,511	\$	1,615,313
Long term debt for collaborative loans	\$ -	\$ 346,147	\$ 346,147	\$	176,911
Total liabilities	\$ 51,947	\$ 1,956,711	\$ 2,008,658	\$	1,792,224
Fund balances	\$ (1,265,818)	\$ 2,457,272	\$ 1,191,454	\$	1,005,878
	\$ (1,213,871)	\$ 4,413,983	\$ 3,200,112	\$	2,798,102

## Income Statement - condensed

	2016			2015	
	Administration Fund	Investment Fund	Total	Total	
<b>Revenues</b>					
Government funding	\$ 284,897	\$ -	\$ 284,897	\$	285,044
Interest on loans	\$ -	\$ 193,680	\$ 193,680	\$	171,610
Administration and management	\$ 12,391	\$ 10,034	\$ 22,425	\$	24,225
Bank interest	\$ -	\$ 1,656	\$ 1,656	\$	1,988
	\$ 297,288	\$ 205,370	\$ 502,658	\$	482,867
<b>Expenses</b>					
Administrative expenses	\$ 273,736	\$ 33,242	\$ 306,978	\$	314,909
Excess revenue over expenses	\$ 23,552	\$ 172,128	\$ 195,680	\$	167,958
Less other expenses					
Amortization	\$ 2,280	\$ -	\$ 2,280	\$	857
Loan loss provision	\$ -	\$ (5,841)	\$ (5,841)	\$	75,891
Loan recovery	\$ -	\$ 13,665	\$ 13,665	\$	(185)
<b>Net Income</b>	\$ 21,272	\$ 164,304	\$ 185,576	\$	91,395

