

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



**Annual
Report
2016-2017**

Borrow – Grow – Succeed

Chair and Executive Director's Message



Sheri Yakashiro

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 2016-17 Community Futures approved 6 loans, which is well below our expectations for the year, and loaned a total of \$350,000. This was an eight year low for loans, but on other performance targets, such as advisory services, training and support of economic development initiatives we were at or close to targets. Two partial explanation for our loan performance this year is the effect of increasing house values on the ability of entrepreneurs to get home equity loans, and a slight drop in the unemployment rate for our area, which went from 6.2% to 5.8% over the past year.

The reduced demand for loans in 2016-17 presents both management and the board with the challenge to make this year an exception and improve our numbers for 2017-18. The board and staff will continue to work together to implement our strategic plan to increase awareness of the services offered by Community Futures and provide more training for entrepreneurs when they are first thinking about starting a business.

Our operational performance in 2016-17 was as budgeted, and we finished the year showing an administrative surplus of \$7,814. In our loan fund, however, we did finish the year with a loss of \$12,375, this was the first loan fund loss in many years, and is the result of a number of loans being written off, some of these write-offs are loans that have not been performing for a number of years.



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.

Sheri Yakashiro, Chair

Allan Main, Executive Director

Board of Directors

Sheri Yakashiro
Mission, BC
Chair

Manny Deol
Mission, BC
Vice-Chair

Grace Saris
Agassiz, BC
Treasurer/Secretary

Freddy Marks
Harrison Hot Springs, BC
Director

Andrea Walker
Mission, BC
Director

Rob Halsall
Mission, BC
Director

Satti Grewal
Mission, BC
Director





Staff

Left to Right

Michele Blackwell

Loans Officer / Business Analyst

Debbie Cave

Accounts Administrator

Gwen Atkinson

Administrative / Marketing Coordinator

Allan Main

Executive Director

Board Honour Role

Sheri Yakashiro joined the Community Futures North Fraser board in 2013 and in 2016 became the board chair. As a lawyer, Sheri has provided tremendous support with loans, collections and our office policy review. With the demands of family, work and other volunteer commitments, Sheri will relinquish the role of chair. We would like to thank Sheri for the support and guidance she provided as us through her years on the board and as board chair.



Loans

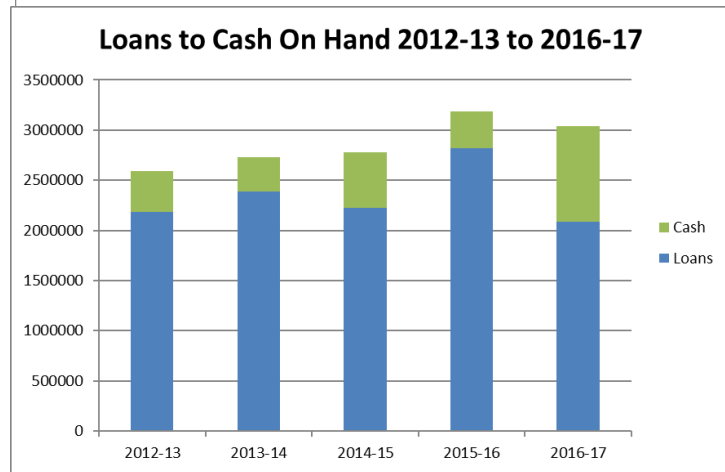
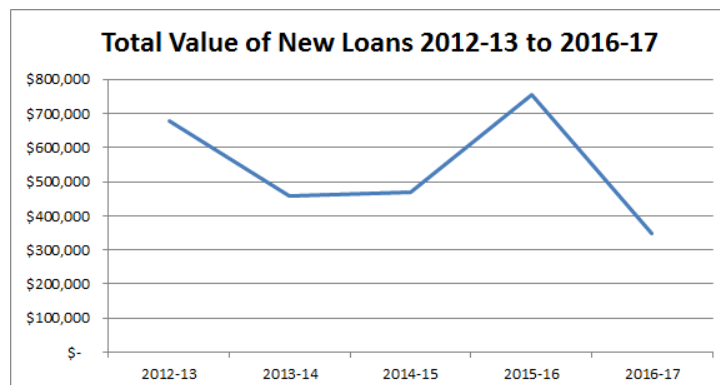
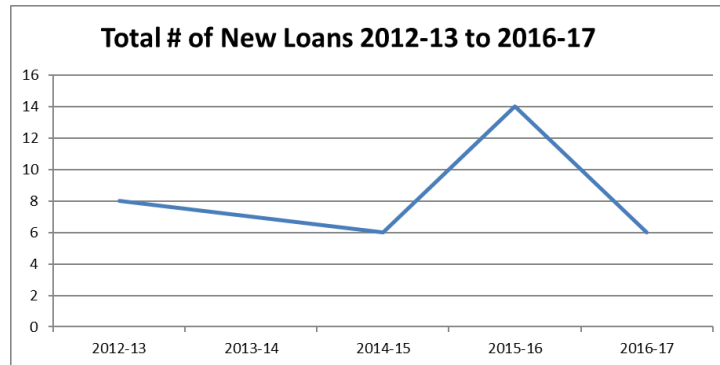
The \$350,000 of loans completed in 2016-17 is down 54% from the \$753,979 loaned in 2015-16. The 6 loans completed in 2016-17 is well below the 14 loans completed in 2015-16 and is tied with the 6 loans in 2014-15 as the lowest in the last eight years, although in 2014-15 the dollar value of loans was higher.

The number of loans in 2016-17 was disappointing, but the number of clients using our advisory services was comparable to last year. Clients are still using the services offered through this office, but fewer of those clients required a loan from Community Futures to start their business.

An area where we did reach a new high in 2016-17 is in loan payouts. In this fiscal year we had 9 loans paid out, which is high for this office. This reduced our number of loans at the end of the year to 39, which is lower than it has been in last 10 years. Many of the loan payouts were clients able to leverage equity from their homes.

Through the year our loan fund decreased by just over 4% to finish at \$3,039,350. The decrease is the result of loan write-offs for the year, which totaled \$160,830, and an increase in the allowance for bad debts.

The allowance for bad debts increased in 2016-17 by 40% and is now \$368,797, which is 12% of the total fund value. The increase is the result of a single syndicated loan made by this office to a local business. The allowance for bad debts also includes \$103,103 owing to another Community Futures office that partnered with us to make this loan. While the amount owed to the other CF is still included in the financials, the terms of our syndicated



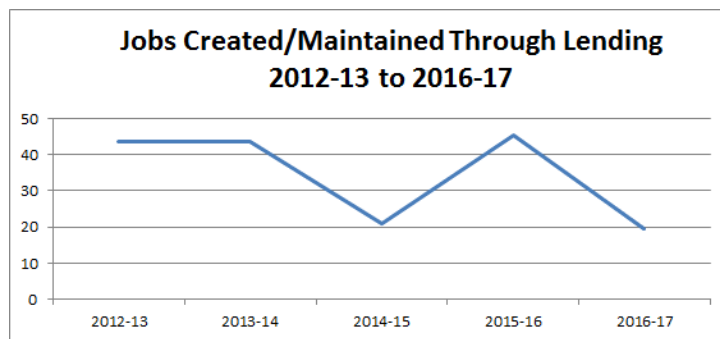
loan agreement do not require us to repay this money to the other CF in the event of a default.

At the end of the year we had \$2,094,930 on loan from this Community Futures office. We also have an additional \$356,447 in partnership funds provided to our clients by other Community Futures, for a total of \$2,451,377. Community Futures North Fraser has also participated in partnership loans, and the loan total on our financial statements includes \$405,176, that we have loaned to other Community Futures offices in support of their clients.

The low number of new loans and the number of loan payouts in 2016-17 has increased our cash on hand, which at the end of fiscal 2015-16 was \$961,907. This is 32% of our loan fund, and is considered high. Our target is to keep cash on hand below 25% of our total loan fund.

Jobs Supported Through Lending Activity

The 6 loans in the past fiscal created or maintained a total of 19.5 jobs, a significant decrease from the 45.5 jobs supported through our 2015-16 lending. Although the total number of jobs was down, the number of jobs per loan in both 2015-16 and 2016-17 was 3.25.

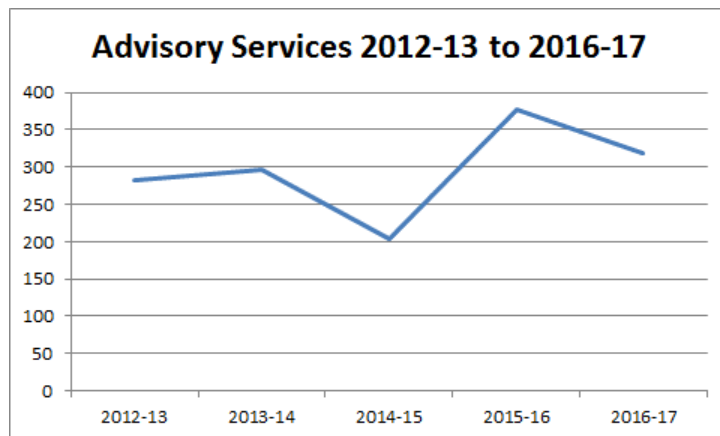


Advisory Services and Training

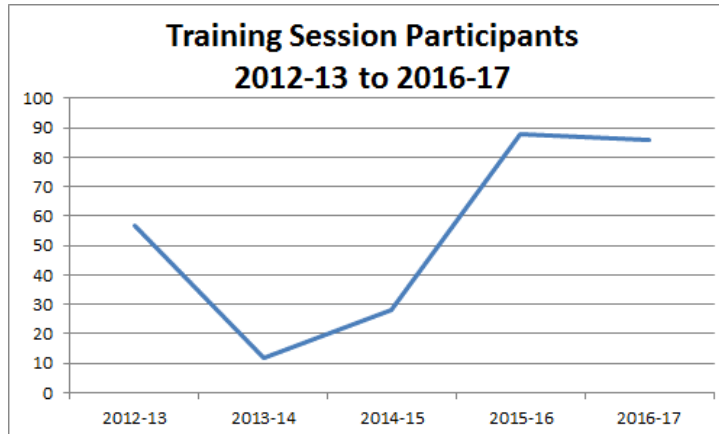
In the past fiscal year, we provided 319 advisory sessions to clients who came to us for business advice. We provided those 319 advisory sessions to 270 individual clients.

Advisory services were down 16% from last year, but they were still well above the five-year average of 296.

Clients participating in our training sessions in 2016-17 totaled 86. The 86 training participants in 2016-17 is well above our five-year average of 54 and close to the 88 participants in 2015-16.



Clients coming to Community Futures North Fraser for advisory services and training sessions in 2016-17 was about the same as the previous year, and compared to the five-year average we still performed well on these measures. Fewer of these clients, however, required loans to start their business or they decided self-employment was not their best option.



Marketing Initiative

An objective for this office in 2016-17 was to increase marketing and grow brand awareness in the communities we serve. The improvement in our financial position over the past two years has allowed us to allocate budget to marketing and other initiatives that were not financially possible in the past. This year we invested in our online presence and improved to how we use Facebook to increase our 'Likes' and expand our reach into the community. We also ran a series of print advertisements in local newspapers promoting our services with client success stories. The advertising campaign started in mid third quarter 2016-17 and will continue into 2017-18. We feel the increase in our marketing budget will expand knowledge of the services offered through Community Futures to more people in our community.

Through 2016-17 we also continued to use our more traditional methods of marketing by networking in the business community, participating in community events, and direct marketing our loan program to former clients. We do believe our investment in marketing increased our profile in the local business community and will help us reach potential entrepreneurs when they are first thinking about starting a business. We do plan to continue our



marketing initiative, which will include using other media in 2017-18, and we are confident these efforts will increase demand for loans and other services in the coming year.

Self-Employment Training

Community Futures North Fraser worked on the opportunity to provide training for the Self-Employment Program offered through Work BC. This program provides support for unemployed people in the community who are interested in starting their own business. Community Futures has developed and owns the curriculum to provide the training service as a contractor. We deliver business plan workshops to clients accepted into the program, and can accept other Community Futures clients into the workshops. We provide a 10-week training program that supports the Self-Employment clients to complete a business plan and gives them the skills they need to operate their business. The first training workshop started toward the end of the 2016-17 fiscal year and only a few participants entered the program before the end of the year. In 2017-18 we anticipate up to 24 students to go through this program generating fee-for-service revenue, increasing client support services, and potentially resulting in business loans to these new entrepreneurs.

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:

- We continued to support the Stave West recreational development. An additional 120 campsites in two locations are now being built in this area with more to follow. In 2016-17 this project also completed a feasibility study on the potential for fixed roof accommodation. The Stave West Forest and Recreation project is an initiative to transform the 50 sq. km District of Mission's tree forest into a 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 is acting as an Economic Opportunities Advisor.
- Harrison Hot Springs has used the sasquatch legend as part of their marketing for many years, and the tourism office has collected, and been bequeathed, many items supporting the existence of this cryptid. A 2016-17 project we participated in was the development of a Harrison Hot Springs Sasquatch Museum and our support to this project included a grant of \$2,000.
- Community Futures was approached by two groups in 2016-17 looking to start initiatives to support local food production. The one group is wanting to start a food hub to support small lot farmers, and the other group is wanting to open a production facility for small scale food processing. These initiatives support each other, and Community Futures is helping both these initiatives assess the feasibility of the project.
- 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, the Harrison/Agassiz Chamber of Commerce, the Mission Tourism Committee.

Clients

Kula Yoga & More Opens with Support from Community Futures North Fraser

Jennifer Philips took up yoga a few years ago and became a dedicated participant. But when her teacher announced she would be moving and closing the studio Jennifer quickly saw a business opportunity – the community would need a new yoga studio.

Jennifer's first experience with self-employment was selling hand soaps at craft fairs, so she had some idea of what to expect from being self-employed, but she was looking for assistance with her business plan and cash flow, and potentially a loan.

"I knew about Community Futures, and the support you give to people starting a business, so I knew you were the place to go for help," says Jennifer. "You guys were great, and everyone was very helpful and knowledgeable, I was always able to get any questions answered," added Jennifer.

Working with Community Futures, Jennifer completed her business plan and credits the plan with helping her business build a relationship with another lender. "I took the business plan Community Futures helped me write to the credit union, and was able to open a line of credit. The business plan showed I had put the work into planning the business and had thought through the details of how my business would operate," says Jennifer.

But Jennifer still needed additional funds for leasehold improvements to the space she wanted to rent. Community Futures was able to help with a business start-up loan that allowed Jennifer to make the needed changes and turn her space into the relaxing oasis yoga participants expect.

Jennifer continues to use Community Futures support. "I still get help from Community Futures with feedback on Facebook and my website. Social media is the most important marketing I do, and you have given me great support. It is nice to have another set of eyes looking over my online content," says Jennifer.

A business plan may be necessary to get a loan, but Jennifer understands it is also the road map that should continue to guide the business. "I have gone back to my business plan to see how my business fits the plan, and think about how the business is evolving," says Jennifer.



Decode Escape Rooms Unravels the Mystery of a Small Business

Brendan Hoffman and his partner were walking through the downtown of a neighbouring community when he discovered his first escape room. He didn't quite know what it was, but he was curious, and with just one try he was hooked. Now he has escaped from dozens of rooms throughout the Fraser Valley and Greater Vancouver, but it wasn't till he visited an escape room that was poorly done that he thought, 'I can do a better job than this'. With a taste for math and science, and a love of puzzles it was an opportunity to be an entrepreneur and start a business based on an activity he is passionate about.

The idea of starting his own business took hold when he was in downtown Mission and saw the vacant building that would become the home of Decode Escape Rooms. Brendan contacted the realtor with the listing, and started to put together his business plan.

"I went to Community Futures once we had the location and had talked with a contractor about the renovations," says Brendan. "Community Futures was a great help in improving the business plan. We took the plan to our credit union and they were willing to do part of the financing for the business if Community Futures would do the rest," says Brendan. Community Futures partnered with the credit union to help Decode open for business.

The building leased by Decode has multiple rooms so each escape is a labyrinth of doors that need to be solved. They opened with three escape experiences, and have just completed a fourth; Grandma's Attic. The building also has a lounge area that has been used for video game events, but will soon be a licenced area where escape room participants can enjoy a drink to celebrate or commiserate. Currently, Decode has 6 employees but when the licenced area opens Brendan expects he will need to hire a couple more.



Financials

Balance Sheet - condensed

	2016			2015	
Assets	Administration Fund	Investment Fund	Total	Total	
Current assets					
Cash	\$ (1,214,667)	\$ 2,176,574	\$ 961,907	\$	362,272
Current portion of loans receivable	\$ -	\$ 312,470	\$ 312,470	\$	422,885
GST receivable / Prepaid expenses	\$ 5,526	\$ -	\$ 5,526	\$	7,576
Accounts receivable		\$ -	\$ -	\$	1,909
Interfund transfers	\$ 19,420	\$ (19,420)	\$ -	\$	-
	\$ (1,189,721)	\$ 2,469,624	\$ 1,279,903	\$	794,642
Loans receivable	\$ -	\$ 1,770,110	\$ 1,770,110	\$	2,396,348
Property plant & equipment	\$ 7,298	\$ -	\$ 7,298	\$	9,122
	\$ (1,182,423)	\$ 4,239,734	\$ 3,057,311	\$	3,200,112

Liabilities & Fund Balances

Current liabilities					
Accounts payable and accruals	\$ 21,324	\$ -	\$ 21,324	\$	16,886
Deferred revenue	\$ 54,257	\$ -	\$ 54,257	\$	35,061
Current portion for collaborative loans	\$ -	\$ 59,762	\$ 59,762	\$	70,564
Conditionally repayable	\$ -	\$ 1,540,000	\$ 1,540,000	\$	1,540,000
	\$ 75,581	\$ 1,599,762	\$ 1,675,343	\$	1,662,511
Long term debt for collaborative loans	\$ -	\$ 195,075	\$ 195,075	\$	346,147
Total liabilities	\$ 75,581	\$ 1,794,837	\$ 1,870,418	\$	2,008,658
Fund balances	\$ (1,258,004)	\$ 2,444,897	\$ 1,186,893	\$	1,191,454
	\$ (1,182,423)	\$ 4,239,734	\$ 3,057,311	\$	3,200,112

Income Statement - condensed

	2017			2016	
Revenues	Administration Fund	Investment Fund	Total	Total	
Government funding	\$ 284,780	\$ -	\$ 284,780	\$	284,897
Interest on loans	\$ -	\$ 178,676	\$ 178,676	\$	193,680
Administration and management	\$ 14,813	\$ -	\$ 14,813	\$	22,425
Bank interest	\$ -	\$ 4,233	\$ 4,233	\$	1,656
	\$ 299,593	\$ 182,909	\$ 482,502	\$	502,658
Expenses					
Administrative expenses	\$ 289,955	\$ 31,817	\$ 321,772	\$	306,978
Excess revenue over expenses	\$ 9,638	\$ 151,092	\$ 160,730	\$	195,680
Less other expenses					
Amortization	\$ 1,824	\$ -	\$ 1,824	\$	2,280
Loan loss provision	\$ -	\$ 2,637	\$ 2,637	\$	(5,841)
Write off of bad debt	\$ -	\$ 160,830	\$ 160,830	\$	13,665
Net Income	\$ 7,814	\$ (12,375)	\$ (4,561)	\$	185,576

