



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

**Annual Report  
2017-2018**

## Chair and Executive Director's Message



Manny Deol

In 2017-18 Community Futures North Fraser ended the year with an operational surplus of \$35,196. Just over half of this revenue was generated from our new self employment training program offered in partnership with the local Work BC office. The revenue from this training program is recurring and will provide additional money for economic development projects. The level of surplus currently generated by this office is a significant improvement over previous years and provides an opportunity for us to invest in projects and programs to support local business and strengthen the local economy.

This year Community Futures approved 8 loans for a total of \$774,346 supporting small business. While the number of loans is below target, the dollar amount is just above target. On other performance measures, such as number of advisory services, training participants and community economic development partners, we were slightly below where we would hope to be, but still within the variance allowed. Some of these other performance objectives were affected by the staff hours dedicated to starting the self employment training program. Towards the end of the year we hired additional support to deliver this program, which will allow key staff to again focus on loans, advisory services and successful completion of the Community Economic Development projects this office is involved with.

This year North Fraser was audited by Pricewaterhouse Coopers as part of the Western Economic Development program review. There were two minor exceptions in the final report and management was able to make changes to appropriately address these two areas of concern. The audit also found a number of our procedures to be 'best practices', a commendation to the effort of the North Fraser staff.



Allan Main

Community Futures is a non-profit organization supporting local entrepreneurs with loans, advisory services, training and community economic development projects and serving Mission, Kent/Agassiz, Harrison Mills, Deroche, Dewdney and Harrison Hot Springs. We are governed by a local board of directors who volunteer their time to support the work of this organization. We are grateful for the commitment of the board in support of the many small business owners who use the services of Community Futures. We are equally appreciative of the work of staff and their dedication to this organization and our clients.

Manny Deol, Chair

Allan Main, Executive Director

### *Board of Directors*

**Manny Deol**  
Mission, BC  
**Chair**

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

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

**Stephen Evans**  
Mission, BC  
**Director**

**Heather O'Coin**  
Mission, BC  
**Director**

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

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

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

\* Resigned from Board during the 2017-18 year





## Staff

Left to Right

**Debbie Cave**

Accounts Administrator

**Allan Main**

Executive Director

**Michele Blackwell**

Loans Officer / Business Analyst

**Gwen Atkinson**

Administrative / Marketing Coordinator

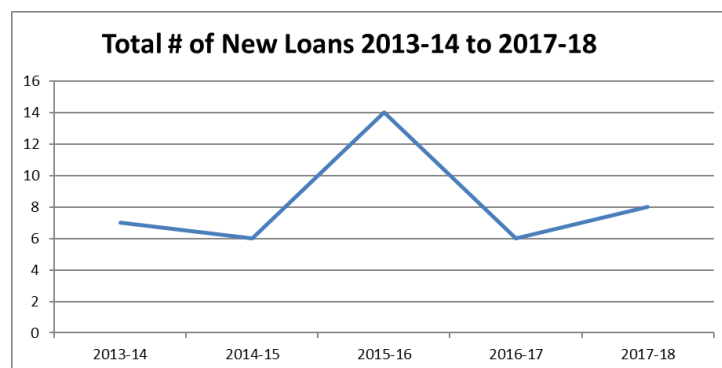
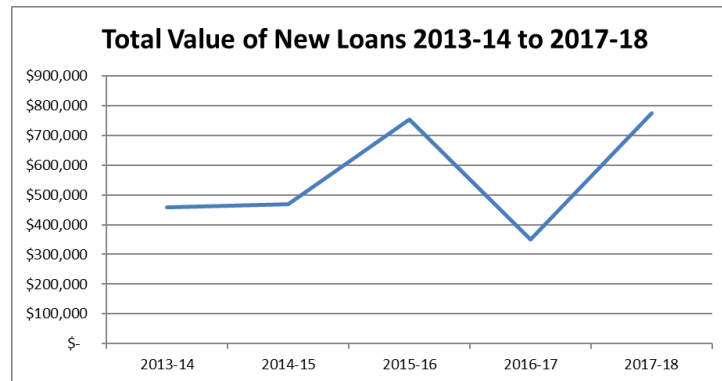
## Board Honour Role

This year three of our board members have resigned and we would like to thank each of them for their years of service to Community Futures. Andrea Walker is now the Chair of the Mission Regional Chamber of Commerce and is focusing on that role for her volunteer time, Rob Halsall is dedicating his retirement time to travel and family, and Freddy Marks who often drove in from Harrison Hot Springs for board meetings is cutting down on his annual miles traveled. Each of these board members have contributed greatly to this organization and we are truly appreciative of the time commitment they made to Community Futures North Fraser.

## Loans

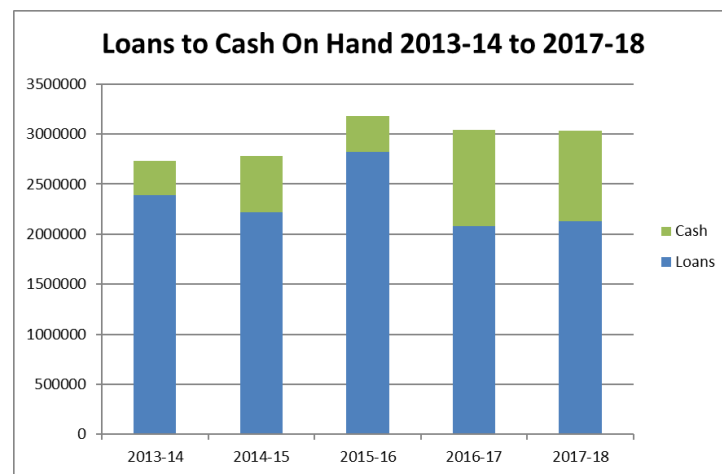
In 2017-18 we completed 8 loans for a total of \$774,346 supporting local business. The \$774,346 of loans is a 121% increase over the \$350,000 total and 6 loans completed in 2016-17.

While our loan performance was an improvement over last year, and we exceeded our target for total dollars in loans, we were targeting to complete 12 loans. Over the past 5 years this office has averaged just over 8 loans per year, so although this year was typical, and within expectations from our funder, we continue to consider 12 loans to be an achievable annual target for this CF office.



In the past five years the number of loans in our portfolio has dropped from 46 to 40 loans, and 10 years ago we were at 53 loans. We continue to have loans paying out, or in a few cases being written off, faster than new loans are being disbursed. Certainly, the increase in local property values and the potential for CF loan clients to transfer their balance to lower interest bank loans has influenced this trend, and last year we saw a sharp increase in cash on hand. In the 2017-18 year cash on hand declined \$59,000 and is now \$902,857. This is almost 30% of our loan portfolio now held in cash. We target to keep cash on hand to 25% or less of our portfolio, and we hope to continue to see cash on hand decline as we work to increase the level of Community Futures dollars supporting local businesses.

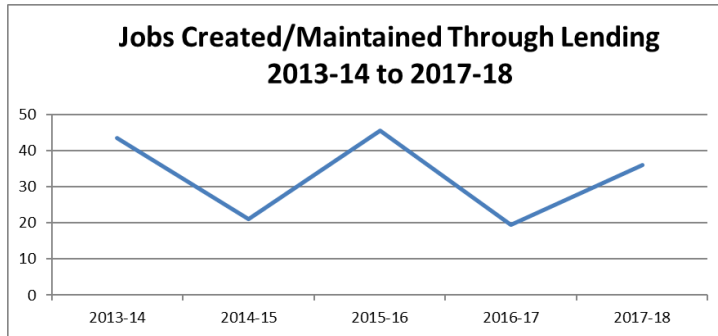
Through the year our loan fund decreased by .5% to finish at \$3,029,148. The decrease is the result of loan write-offs for the year, which totaled \$109,348. By writing off these loans we did reduce our allowance for bad debts which improves the risk profile of our existing loan portfolio. The allowance for bad debts decreased in 2017-18 and is now \$302,269, which is 10% of the total fund value. This is a 2% improvement over 2016-17.



At the end of the year we had \$2,282,618 on loan from this Community Futures office. We also have an additional \$145,942 in partnership funds provided to our clients by other Community Futures, for a total of \$2,428,560. Community Futures North Fraser has also participated in partnership loans, and the loan total on our financial statements includes \$630,000 that we have loaned to other Community Futures offices in support of their clients.

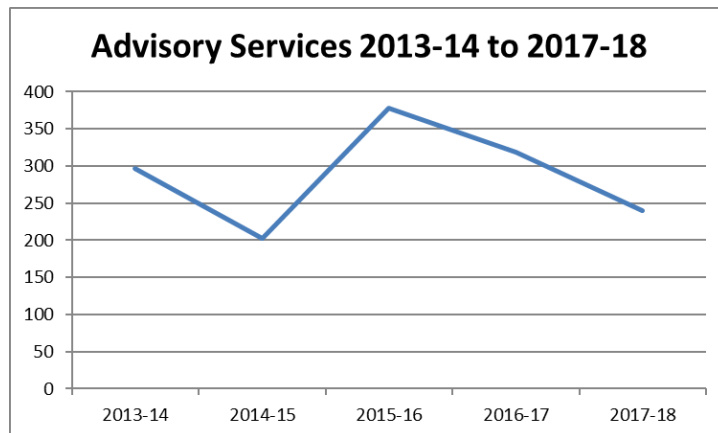
### Jobs Supported Through Lending Activity

The 8 loans in the past fiscal created or maintained a total of 36 jobs, a significant increase from the 19.5 jobs supported through our 2016-17 lending. Our five-year average for jobs created or maintained is about 33, so although this year was an improvement over last year, it is at the expected level.

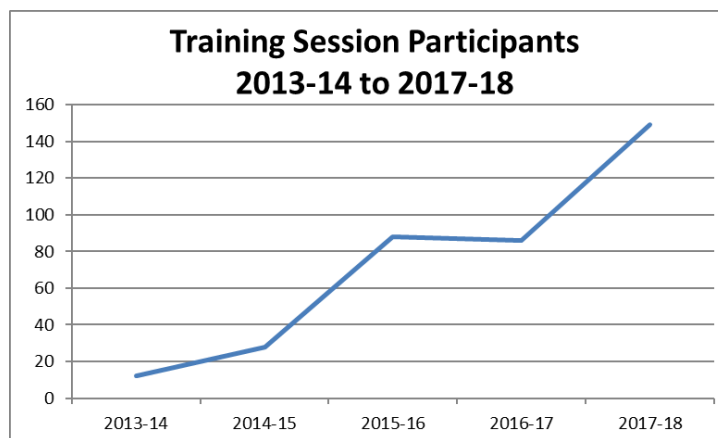


## Advisory Services and Training

In the past fiscal year, we provided 240 advisory sessions to clients who came to us for business advice. This is down from the 319 advisory sessions we provided in 2016-17 and is below our target of 300 advisory services each year. While Advisory Services were down, the number of Training participants was at a 10 year high.



In 2017-18 we fully initiated providing the Self Employment training for the Work BC office in Mission and in Hope. 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 for staff.





The training we provide for the Self Employment program is content that we repositioned in 2017-18 to offer self-employment training for persons with disabilities. While the classes for this program did not start in the last fiscal year, the partnerships with BC Centre for Abilities and Mission Community Skills Centre Society were established and several candidates for the program were identified. Classes started early in 2018-19. Funding for this training was through the Federal Opportunities Fund, and while this first class is a pilot project for us, with the interest and outcome of this training we expect funding will be available to run this training again in the future.

We are expecting some interest in loans from the students participating in the self-employment training, and in 2017-18 we did have the first students initiate the application process but none of these loans completed during the year. For 2018-19 we expect to have a few loans approved to this group of aspiring entrepreneurs.

## Marketing Initiative

The print advertising highlighting client success stories that we started in 2016-17 continued through the first half of the 2017-18 fiscal year. In the second half of 2017-18 we transitioned our marketing investment from print to a direct mail piece distributed to all businesses in Mission, Agassiz and Harrison Hot Springs, and at the end of the year we began a two-month promotion using a billboard ad.

The Improvement in our financial position has allowed us to invest more in the promotion of our services and we continue to use a range of media to reach entrepreneurs in the communities we serve. This year we also continued to invest in our online presence and improve how we use Facebook, and Facebook has been effective in bringing clients into this office. We have also increased our sponsorship activity, particularly in support of Chamber of Commerce events that provide a well targeted audience for our key messages.

We do believe our 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.



Direct Mail and Billboard 2017-18

## 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:

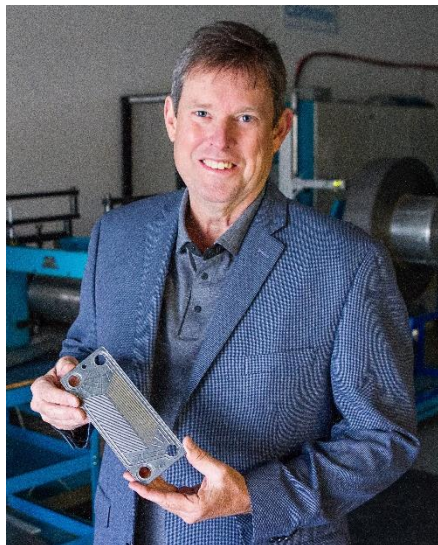
- In 2017-18 we were approached by a group in Mission wanting to evaluate the opportunity to open an Agri-Food Innovation Centre/Food Hub in the North Fraser. A key objective to this initiative is the potential for the centre to house a food production facility for small scale value-added food processing. The main proponent for this project is Mission Community Skills Centre Society, with the support of Community Futures, Mission Community Services, Mission District through the Economic Development office, and University of the Fraser Valley. The next step for this project is the completion of a Business Plan and an RFP has been created to identify individuals or organizations able to complete a business plan for a project of this nature. The budget for the business plan is \$50,000 and Community Futures North Fraser helped fund this with a \$2,500 contribution in fiscal 2017-18.
- A second project initiated in 2017-18 is Community Futures participating with a group to develop a social enterprise in the North Fraser. The objective of the social enterprise is to provide employment and training for the local population who may have challenges in the labour market. Participants in the group see the Mission area as having a significant population experiencing barriers to employment and the social enterprise will provide these employment opportunities while providing a needed service or product in the area. This group is in the early stages of this project and is currently evaluating social enterprise activities in other communities to identify a few viable business types that could be started in Mission. It is expected Community Futures will play a key role in assessing the viability of the various options for a social enterprise.
- The Stave West recreational development that was started in 2015 is a project that Community Futures is less involved with, although it is a project that continues. The next phase of development in this area is primarily around trail development. Community Futures has had discussions with one trail user group about the support we might be able to provide as they look at developing a plan for user access to this large recreational area.
- 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 and the Mission Tourism Committee.

## Clients

### Repeat Loan Client Terrella is a Success Story for the CF Program

John Kenna first met with Community Futures in 2013 when he was looking for early stage financing for a new technology business he started in Mission. In 2013 the company, Terrella Energy, had demonstrated the viability of their technology and had just received their first purchase order. The loan, which was approved in 2014, was to buy new equipment needed to complete that first sale.

The company manufactures graphite plates primarily for use in hydrogen fuel cells and most Terrella customers are in the automotive or transport sector. The move to alternate fuels for cars, buses and trucks has been a slow and evolving process, and while Terrella has continued to land new POs they have all been small orders for research and pilot projects.



These POs kept the ‘doors open’ and helped Terrella establish an impressive list of clients, but it took until 2017 for the first larger breakthrough. For this the company needed another round of funding.

Fuel cells have always used graphite or metal plates, and in small volume the cost of these plates has not been a critical issue. The value of the Terrella technology is in how the fuel cell plates are manufactured, and the potential for high volume production at a very low price. Terrella’s technology is the forming of graphite using roller embossing. Instead of stamping or engraving single units at a time the roller embossed production line provides high volume continuous output, and as John notes, “Nobody has a process that can match this level of production at the cost of Terrella.”

Terrella is now starting to get their first volume orders and the change according to John is a result of, “The fuel cell industry is finally looking at technologies that are scalable and cost effective.” In China fuel cell buses are in regular commercial use and in California, and a number of other places around the world, you can buy a fuel cell car from a dealer’s lot. While the market has a long way to go, manufacturers are no longer working to prove the technology, they now are working to make fuel cell vehicles that are competitively priced.

The Community Futures loan in 2017 helped Terrella finally get to larger contracts. “The second loan is how I was able to get the large contract for the bus plates. With Community Futures it’s more personal, you got me through a few months when I was unable to make payments, I’ve used your boardroom and you helped me with contacts in the local business community, and now I finally feel like I’ve ‘crossed the chasm’.” says John. To fill the increasing demand for fuel cell plates Terrella is hiring additional staff and the improved cash flow at Terrella has allowed the company to pay out the most recent Community Futures Loan within a year.



## Blackberry Kitchen Restructures with a CF Loan

When he was still a high school student in Mission, Kerry Martin started working in a local restaurant. It was the start of his life-long profession and after graduating Kerry left Mission to work his way up to becoming a chef. His move from chef to business owner came in 2011 when he and Laurel Exner opened the Blackberry Kitchen in Heritage Park.

Attending a concert in the park was the first time Kerry thought of the log building as a business opportunity, and soon after the concert he saw an ad that the space was for lease. With the park setting and the view he thought it would be a great location for a restaurant two people could run.



“We started small, but the restaurant grew in popularity very quickly,” said Kerry. “But the building was intended as a tea house, and not meant for the business it had grown into,” added Kerry. For a popular full-service restaurant, the kitchen was too small and there was not enough storage.

The association responsible for the park could see the challenges and made plans to expand the building. “The association that ran the park wanted to support us and they started the renovations in our 2nd year of operation, but they were funding the renovations as they were able to raise money,” said Kerry, “and at one point we were only able to operate with a lunch menu because the vent hood did not meet fire code.” So, in 2014 Kerry and Laurel opened a second restaurant in Mission, Martin’s Downtown, where they could continue to operate as a full-service restaurant.

While the second location allowed them to serve a dinner menu, the cost of opening and operating the downtown location while still carrying the overhead of the Blackberry Kitchen was a challenge. The restaurant industry is noted for the level of competition and the tight margins. To be successful restaurateurs need to pay attention to all the details.

Both restaurants continued to be popular and noted for the quality of food and service but once the renovations at the Blackberry location were complete, and they were operating two full-service restaurants, having both locations became overwhelming. “We are very good on the operational side of our business,” said Kerry, “but we were so involved in the daily operation that it was easy to get behind on the finance end of the business.”

Kerry and Laurel knew they needed to rethink how they were operating. “We needed some help with the business,” said Laurel, “and although we had heard of Community Futures years earlier at a Chamber Lunch, we really didn’t understand what Community Futures did. When we finally found out it was just what we needed”. Kerry and Laurel needed to step away from the cooking and customers to really see the business. “Once you have accurate numbers in front of you it makes decision making easier,” added Kerry.

Community Futures worked with Kerry and Laurel on their cash flow, which helped them with the decisions they needed to make. “Working with Community Futures was way easier than I anticipated,” said Kerry, “everyone has been understanding of our business model, and provided insightful suggestions, it is nice to have that level of support.”

Kerry and Laurel needed to make some major decisions about how they were operating, and Community Futures helped them look at the financial performance of their business. Community Futures was also able to provide a loan to the business, so Kerry and Laurel had the funds they needed to complete their business restructuring.

“I would recommend anybody starting a business should talk to Community Futures,” said Laurel, and it is reciprocal; Community Futures often recommends Blackberry Kitchen as a great location for a fine dining experience.

# Financials

## Balance Sheet - condensed

			2018	2017
<b>Assets</b>	<b>Administration Fund</b>	<b>Investment Fund</b>	<b>Total</b>	<b>Total</b>
Current assets				
Cash	\$ (1,063,665)	\$ 1,966,522	\$ 902,857	\$ 961,907
Current portion of loans receivable	\$ -	\$ 318,944	\$ 318,944	\$ 312,470
GST receivable / Prepaid expenses	\$ 5,119	\$ -	\$ 5,119	\$ 5,526
Accounts receivable	\$ 2,258	\$ -	\$ 2,258	\$ -
Interfund transfers	\$ 45,220	\$ (45,220)	\$ -	\$ -
	<u>\$ (1,011,068)</u>	<u>\$ 2,240,246</u>	<u>\$ 1,229,178</u>	<u>\$ 1,279,903</u>
Loans receivable	\$ -	\$ 1,807,347	\$ 1,807,347	\$ 1,770,110
Property plant & equipment	\$ 5,750	\$ -	\$ 5,750	\$ 7,298
	<u>\$ (1,005,318)</u>	<u>\$ 4,047,593</u>	<u>\$ 3,042,275</u>	<u>\$ 3,057,311</u>
<b>Liabilities &amp; Fund Balances</b>				
Current liabilities				
Accounts payable and accruals	\$ 23,654	\$ -	\$ 23,654	\$ 21,324
Deferred revenue	\$ 24,308	\$ -	\$ 24,308	\$ 54,257
Current portion for collaborative loans	\$ -	\$ 44,657	\$ 44,657	\$ 59,762
Conditionally repayable	\$ -	\$ 1,540,000	\$ 1,540,000	\$ 1,540,000
	<u>\$ 47,962</u>	<u>\$ 1,584,657</u>	<u>\$ 1,632,619</u>	<u>\$ 1,675,343</u>
Long term debt for collaborative loans	\$ -	\$ 101,285	\$ 101,285	\$ 195,075
Total liabilities	<u>\$ 47,962</u>	<u>\$ 1,685,942</u>	<u>\$ 1,733,904</u>	<u>\$ 1,870,418</u>
Fund balances	\$ (1,053,280)	\$ 2,361,651	\$ 1,308,371	\$ 1,186,893
	<u>\$ (1,005,318)</u>	<u>\$ 4,047,593</u>	<u>\$ 3,042,275</u>	<u>\$ 3,057,311</u>

## Income Statement - condensed

			2018	2017
<b>Revenues</b>	<b>Administration Fund</b>	<b>Investment Fund</b>	<b>Total</b>	<b>Total</b>
Government funding	\$ 284,686	\$ -	\$ 284,686	\$ 284,780
Interest on loans	\$ -	\$ 151,545	\$ 151,545	\$ 178,676
Project revenue	\$ 23,709	\$ -	\$ 23,709	\$ -
Administration and management	\$ 25,416	\$ -	\$ 25,416	\$ 12,252
Bank interest	\$ -	\$ 5,576	\$ 5,576	\$ 4,233
Misc fee revenue	\$ 295	\$ -	\$ 295	\$ 2,561
	<u>\$ 334,106</u>	<u>\$ 157,121</u>	<u>\$ 491,227</u>	<u>\$ 482,502</u>
<b>Expenses</b>				
Administrative expenses	\$ 297,363	\$ 28,019	\$ 325,382	\$ 321,772
Excess revenue over expenses	\$ 36,743	\$ 129,102	\$ 165,845	\$ 160,730
Less other expenses				
Amortization	\$ 1,547	\$ -	\$ 1,547	\$ 1,824
Change in loan loss provision	\$ -	\$ (66,528)	\$ (66,528)	\$ 2,637
Write off of bad debt	\$ -	\$ 109,348	\$ 109,348	\$ 160,830
<b>Net Income</b>	<u>\$ 35,196</u>	<u>\$ 86,282</u>	<u>\$ 121,478</u>	<u>\$ (4,561)</u>

